
Leveraging Management Diversity for Competitive Advantage

Best Practices from the
Network of Executive Women
Consumer Products and Retail Industry

FIRST IN A SERIES



Executive Diversity: Leading the Way to Productivity and Profit

YOU'VE READ THE STATISTICS – three-quarters of the American population and nearly two-thirds of the nation's workforce is comprised of women and minorities. But women and minorities still lag far behind non-minority men in the upper echelons of business, and change is slow in coming.

While ethnic minorities saw a slight increase in their share of senior management jobs in the past decade – from 13 percent to 16.7 percent – women took an astonishing step back. They held 32 percent of top jobs in 1990, but just 19 percent of these positions in 2000.¹

A separate survey of Fortune 500 companies confirms it. Women hold only 15.7 percent of corporate officer positions at Fortune 500 companies,² and segments of the CPG/retail industry are even less diversified.

The food production, food wholesaling, and the food and drug store segments all rank below the Fortune 500 average with only 7.1 percent, 11 percent, and 11.7 percent, respectively, of corporate officer positions held by women. Other industry segments fare slightly better: Food/consumer products, at 15.4 percent; general merchandisers, 18.2 percent; beverages, 22.5 percent; and tobacco, 29.7 percent.²

THE BIG PICTURE

Business used to be simple. Most organizations were led by homogenous hierarchies of mostly white, mostly male executives. There were multiple layers of middle management, and those managers tended to think alike.

The 1960s brought the civil rights and women's movements and equal opportunity laws from Congress and the states. At the same time, American business was changing from an industrial to post-industrial economy. More women and ethnic minorities joined the workforce. And old-school management gave way to new ideas.

In today's workplace, empowerment is emphasized over authority, individuality trumps conformity, and multi-

culturalism has replaced the "melting pot." Some call these new values "political correctness," but the growing majority of American businesses have embraced them. Eighty-four percent of human resource professionals at Fortune 500 companies say their top-level executives think diversity management is important³ – for good reason.

Diversity is a proven tool for competitive advantage. Internally, it increases company morale, expands your talent pool and helps attract and retain quality workers. It increases productivity by promoting better communication and

minimizing conflict. And it reduces costs associated with litigation, grievances, and training and recruiting new employees.

Diversity is valuable externally, as well. It's good public relations – companies with a high commitment to diversity are perceived as quality organizations in their industries and in the public eye. It helps you better understand today's diverse consumers and capitalize on new, growing markets.

Just like your workforce, your customer base is becoming more diverse.

An organization that can speak the language of today's multicultural and international customers will enjoy a strategic advantage over those that can't.

AVOIDING "GROUP THINK"

Diverse management is less likely to make mistakes caused by "group think" and more likely to challenge conventional wisdom. If you assemble a like-minded group of people, you'll get like-minded opinions. Things may run smoothly on the surface, but you'll miss the benefits of competing ideas.

Diversity comes in many forms. There are inherent characteristics like ethnicity, gender, age, race, sexual orientation and physical ability. There are acquired characteristics like income, personality, religion, work experience, personal habits and geographical location. And then there are organizational characteristics like job function, seniority, job specialty, location, unit/division and professional affiliation.

**The
bottom line:
Diversity
is good
for business**

Creating and empowering work teams composed of diverse individuals is one way of filling the gap left by the sharp reduction in middle-management in American business today. Creating effective diverse work teams requires a change of attitude. You need managers who act like mentors and workers who think like managers. Most important, you need the commitment of senior management to true diversity at every level.

CONNECTING TO THE BOTTOM LINE

There are pressing reasons for making diversity an immediate priority. The most obvious is fairness. Best HR practice, good policy and the law require that the increasing number of minorities and women in the workforce have equal opportunity for advancement.

The second imperative for executive diversity is the sheer purchasing power of women and minority consumers. The Hispanic population alone has soared 59 percent in the past ten years, and minorities are now the majority in six of

the nation's eight largest metropolitan areas.⁴ Ethnic minorities control 22.7 percent of total consumer buying⁵, while women make or influence an estimated 80 percent of all purchase decisions.⁶

The most compelling business reason for executive diversity is on the bottom line. According to a Catalyst survey of Fortune 500 companies, companies with the highest percentage of women in senior management had a 35 percent higher return on equity than companies with fewer women executives.⁷ In other words, gender diversity isn't just good policy, it's good for business.

1. Analysis of U.S. Census Data by Peopleclick Inc. Share of women and minorities in CEO, CFO, president and VP positions, 1990 vs. 2000.
2. Catalyst Census of Women Corporate Officers and Top Earners in the Fortune 500, 2002.
3. SHRM Survey of Diversity Initiatives, 1998.
4. U.S. Census, 2000.
5. New York Times, 2004.
6. Women and Diversity Facts, <http://www.ewowfacts.com>.
7. Catalyst "Bottom Line" Survey (1996-2000), 2004.

Ten Steps to Executive Diversity

Compiled by the Network of Executive Women

1. START AT THE TOP. First, ensure your top executives are on board – no real change can come without support from the top. Evaluate past and current executive diversity strategies and develop an overall management diversity master plan with specific goals, methods and metrics. Assign senior executives or committees to oversee specific areas, such as outreach, training and development, and company policy.

2. RECRUIT FROM OUTSIDE. Hiring highly qualified women and minority executives from other companies can be the fastest route to a more diverse management team.

3. PROMOTE FROM WITHIN. Promoting your current women and minority employees into leadership positions has several advantages, including greater employee retention and morale, maintaining company knowledge, and continuity of valued relationships inside and outside the company.

4. NURTURE TALENT. Create training programs and career tracks for promising employees. Encourage lifelong learning by providing tuition assistance and seminars.

5. NETWORK. Expand your executive recruiting by participating in minority and women trade fairs and supporting industry-wide diversity networks like NEW. You can also reach out to women and minority professional organizations and advertise in their publications and on their websites.

6. MENTOR. Partner senior executives with newer managers in one-on-one mentoring relationships. Establish internal mentoring programs, or encourage your managers to participate in outside activities like NEW's Facilitated Mentoring Program. It's a great way to develop new talent, pass on company knowledge and expand your "old boy's" network to ensure you have real upward mobility in your ranks.

7. COORDINATE. Integrate your executive diversity strategy into your overall corporate diversity program. Coordinate activities with your company diversity team and other interested parties inside and outside the company when appropriate.

8. COMMUNICATE. Everyone in your organization, from the boardroom to the factory floor, has a stake in executive diversity. Keep employees and other stakeholders up-to-date on your outreach and successes. Initiate diversity training and awareness. Emphasize openness and the sharing of knowledge.

9. SUPPORT AFFINITY GROUPS. Firms have started promoting voluntary, semi-official networks of women, ethnic minorities, GLBT, veterans, religious denominations, the disabled and other interest groups within their ranks. Work with these groups to help build company morale, foster networking, and nurture your next generation of leaders.

10. BENCHMARK. Track your progress annually, semi-annually or even quarterly. Establish baseline metrics so you can compare results and make adjustments as needed.

Get Into Action

ONE REASON AMERICAN CAPITALISM HAS SUCCEEDED over time is its ability to not only integrate but take advantage of different cultures and ideas.

In recent decades, American consumers have embraced foreign foods like salsa and sushi, and foreign products from automobiles to juice boxes. Hypermarkets were first introduced in Europe, and TQM was perfected in Japan. Disposable diapers, Scotchgard, and White-Out Liquid Paper were all invented by women who saw a problem men couldn't.

In business as in biology, the ability to adapt is the key to survival. Diversity promotes the free-flow of ideas, and that old-fashioned notion, team spirit. Diverse organizations are the key to growth, and change starts at the top.

Support top-to-bottom diversity with actions as well as words.

Establish a diversity task force. Craft a diversity strategy. Recruit executives outside the usual channels. Support organizations, like NEW, that support diversity. Reach out to groups of minority and women professionals.

Encourage networking. Establish mentoring programs. Promote family-friendly policies like flex time. Sponsor multicultural programs and affinity groups. Conduct diversity awareness programs and education.

Establish baseline metrics and benchmark the results of your efforts. Make changes as necessary. And start harnessing the power of diversity.

For more information on how to achieve management diversity in your business, visit our website, www.newonline.org, or contact our Executive Director, Joan Toth, jtoth@newonline.org, telephone (312) 693-5393.

Benefits of Diversity

There are many reasons to encourage management diversity. Here are a few:

- Bigger talent pool*
- Diversity of opinion*
- Better communication*
- Greater affinity with customers*
- Higher productivity*
- Improved employee morale*
- Increased employee retention*
- Fewer grievances*
- Legal compliance*
- New energy and ideas*



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