Is Diversity in the Workplace a Worthwhile Goal for Corporations?


ISSUE SUMMARY

YES: Society for Human Resource Management human resource expert Nancy Lockwood discusses several important benefits that result from workplace diversity. Included among these is the possibility of increased organizational productivity and profitability.

NO: The opposing view is presented by social critic Roger Clegg, who attacks the notion that pursuing diversity for its own sake is a wise strategy regardless of whether it occurs in the workplace or in the educational system.

The composition of the U.S. workforce has changed dramatically over the last few decades. Prior to 1980, for example, the typical employee in corporate America was a married, white male with children and a wife at home who did not work. Consider that now, in the early part of the twenty-first century, such an individual is actually in the minority! Indeed, as management scholar Stephen Robbins notes (Organizational Behavior, Prentice Hall, 2003, p. 15) 47 percent of the current U.S. labor force are females, many of whom are childless and/or single, while minorities, at about 25 percent, represent the fastest-growing demographic segment of the workforce. This tremendous increase in workplace diversity—Robbins defines the concept as the recognition that organizations are becoming increasingly heterogeneous in terms of race, gender, ethnicity, and other diverse groups of employees—raises important questions for managers and their organizations as we move further into the twenty-first century. For example, an important concern involves the question of whether or not workplace diversity provides beneficial outcomes for businesses. To the extent that it does, organizations will be much more
inclined to accept workplace diversity as a worthwhile part of their overall strategic philosophy.

In the pro article that follows this introduction, Nancy Lockwood discusses several important benefits that result from workplace diversity. For example, wise firms will recognize that talent shortages can be addressed by embracing a willingness to actively recruit, hire, and train minorities and females. Firms that intentionally discriminate are, in effect, reducing the size of the talent pool from which they can recruit. Another similar argument raised by Lockwood is based on the notion that, relative to nondiverse firms, diversity-embracing organizations will likely enjoy larger market share since they will have access to a potentially larger customer base. Finally, she notes that diverse work groups tend to produce more decision alternatives as well as providing a wider range of creative solutions than do homogenous groups. Over the course of time, such beneficial outcomes will presumably translate into increased levels of employee productivity and organizational profitability.

Representing the opposing viewpoint in this debate, Roger Clegg attacks the notion that pursuing diversity for its own sake is a wise strategy regardless of whether it occurs in the workplace or in the educational system. Specifically, Clegg takes to task the findings of the Business-Higher Education Forum's Diversity Initiative Task Force, an organization whose mission is to inform "policy makers and the public regarding strategic national challenges of high priority to both business and higher education, and to help shape sound policy to address these challenges" (The Business-Higher Education Forum Web site: http://www.bhef.com/, 2006). A particularly pointed criticism involves the report's assertion that the widespread presence of workplace diversity initiatives indicates that business leaders recognize that "diversity brings value to their enterprises." Rather, Clegg argues, failure to embrace such initiatives is likely to result in lawsuits, legal harassment, increased governmental intervention and regulations, and social and political pressure. From this perspective, maintaining a diverse workplace is simply corporate self-defense masquerading as positive public relations. Another point Clegg takes issue with is the general belief—advocated by the BHEF task force and central to its report—that diverse college campuses benefit corporate America because exposure to people from different cultures and backgrounds provides a necessary training ground for employment in a diverse workplace. He attacks this belief from several angles pointing out, for instance, that this belief presupposes that blacks and whites are so different in how they think and behave on campus and in the workplace and that "it is... important to learn these differences that it justifies deliberate racial and ethnic discrimination in order to ensure this racial and ethnic mix on campus."

As you read these articles, keep in mind that this debate requires you to think from the perspective of the organization. You may be completely for diversity in the workplace or completely against it, but the question here is, based on the arguments of the two sides, do you think diversity is a worthwhile goal for corporations to pursue?
Workplace Diversity—An Evolution

From compliance to inclusion, the concept of workplace diversity is evolving. Coming from an organizational viewpoint, this article explores the changing perception of workplace diversity, elements of an inclusive corporate culture, the business case and HP’s leadership role to maximize the benefits of a diverse workforce in a changing marketplace. While a broad range of issues is covered, it should be noted that “one size does not fit all,” as organizations are in different stages of development regarding workplace diversity. In addition, workplace diversity is not strictly a U.S. concept: a brief discussion on the drivers of workplace diversity in the European Union is presented.

Diversity Defined Today

As predicted in the landmark study Workforce 2020, rapid technological change, globalization, the demand for skills and education, an aging workforce and greater ethnic diversification in the labor market have forever changed the employment landscape.¹ The definition of diversity extends well beyond the traditional view that once focused primarily on gender and race and reflects the broader perspective of workplace diversity today.

“A broad definition of diversity ranges from personality and work style to all of the visible dimensions such as race, age, ethnicity or gender, to secondary influences such as religion, socioeconomics and education, to work diversities such as management and union, functional level and classification or proximity/distance to headquarters.”²

Integration and Learning: A New Paradigm for Managing Diversity

Diversity in the United States has evolved since the 1960s. Diversity was first based on the assimilation approach, with everyone being part of the “melting pot.” Compliance (e.g., affirmative action, equal employment

opportunity) is important in diversity, and key legislation has been an effective tool for change (e.g., Title VII of the Civil Rights Act of 1964, Age Discrimination in Employment Act of 1967, Americans with Disabilities Act of 1990). Today, however, the impetus behind workplace diversity is that of inclusion and the business case, embracing and leveraging differences for the benefit of the organization. The collaboration of cultures, ideas and different perspectives is now considered an organizational asset—bringing forth greater creativity and innovation—with the result that many companies are increasingly focusing on corporate diversity initiatives to improve organizational performance.3

Diversity initiatives do not always meet expectations. The traditional schools of thought behind many diversity interventions are: 1) assimilation, based on the idea that “we’re all the same” (promoting equal opportunity); and 2) differentiation, from the philosophy “we celebrate differences.” Today, groundbreaking research goes beyond the historical framework of workplace diversity. The emerging paradigm is integration and learning. That is, companies promote equal opportunity and value cultural differences, using the talents of all employees to gain diverse work perspectives. To achieve this level of diversity management, however, organizational leaders must have a clear understanding of how they define diversity as well as what exactly the organization does with the experiences of being a diverse workforce.4

An Inclusive Corporate Culture

The concept of inclusion is increasingly important in the discussion of workplace diversity. In many ways, this evolution reflects societal values in the workplace. For example, two beliefs commonly held by Americans are that everyone deserves a chance (equal opportunity, sometimes referred to as the “level playing field”) and that all people should be treated with dignity and respect.5 The values of equality, respect and opportunity for all represent the cornerstone of workplace diversity. Inclusiveness is thus a win-win dynamic: it generates opportunities for growth, flexibility and adaptation in the marketplace for both the employee and the organization.

The Business Case for Workplace Diversity

Increasingly, the case for workplace diversity as a business imperative is gaining recognition by leaders in the business world. At a symposium sponsored by The Conference Board regarding diversity in the workplace, for example, 400 executives agreed that “diversity programs help to ensure the creation, management, valuing and leveraging of a diverse workforce that will lead to organizational effectiveness and sustained competitiveness.”6

One of the major drivers behind the business case is the demographic changes that directly affect the labor pool and available talent. These changes are significant. In an organization, human capital and workforce relationships are the backbone of success. The flow of information between colleagues,
work teams, customers and suppliers, for example, depends on the quality of relationships and talent in the workplace. Consequently, workplace diversity is increasingly viewed as an essential success factor to be competitive in today’s marketplace.

Advantages

Six key reasons to tie workplace diversity to organizational strategic goals and objectives are: 1) greater adaptability and flexibility in a rapidly changing marketplace; 2) attracting and retaining the best talent; 3) reducing costs associated with turnover, absenteeism and low productivity; 4) return on investment (ROI) from various initiatives, policies and practices; 5) gaining and keeping greater/new market share (locally and globally) with an expanded diverse customer base; and 6) increased sales and profits.

Workplace diversity can be viewed as having both direct and indirect links to the bottom line. In business, the preferred equation for success is a single action that directly impacts financial performance. Workplace diversity, however, is a complex phenomenon. Consequently, the link of workplace diversity to financial success is not always immediately apparent, nor is it always linear. Two examples below illustrate scenarios with direct and indirect links of workplace diversity to organizational performance.8

- Direct link: Organizations that expand their customer base most effectively do so with a workforce that is reflective of their clients. DuPont, for example, considers diversity a business imperative vital to ongoing renewal and competitiveness in the 21st century. This philosophy was illustrated when the company learned how one small change could directly translate into significant profits. At DuPont Merck, the sales of an anticoagulant drug in the Hispanic markets were low. When a Hispanic manager noticed that the drug was only labeled in English and consequently translated the instructions into Spanish, sales improved significantly. Now, educational materials for the drug are translated into 15 languages and bring in millions of dollars in new business.9

- Indirect link: Having access to and retaining talent from a worldwide diverse labor pool is key to gaining a competitive edge in the global marketplace. To expand and keep their market share, Nortel views lost revenue due to turnover as a reason to support diversity. With the cost of replacing an employee at $55,000 and turnover at 7% (compared to 17% in the information technology industry), the overall turnover cost is still quite high. For example, 7% attrition for 80,000 employees translates to replacing 5,600 people. Thus, when 5,600 (people) is multiplied by $55,000 (the cost of replacing one employee), turnover cost is $30.8 million! Thus, at Nortel, attracting and keeping talent—a key aspect of workplace diversity—has a significant impact on the bottom line.10

Firms are increasingly aware of the impact of diversity initiatives on organizational effectiveness. For example, factors that affect organizational profits are highlighted in a study by the Society for Human Resource Management on the impact of diversity on the bottom line. HR professionals from
companies on Fortune’s list of Top 100 Companies to Work For state that diversity initiatives provide organizations with a competitive advantage by positive improvements in corporate culture, employee morale, retention and recruitment (Figure 1). For example, 40% of companies ensure leadership development programs are available to all employees, 34% increase innovation by tapping talent of employees of all backgrounds, and 31% utilize diverse experiences for special projects and assignments.\textsuperscript{11}

The importance of positive community relations also illustrates the link between workplace diversity and the business case. When organizations develop external partnerships with minority communities and suppliers, for example, this can lead to good will and a reputation as an “employer of choice.”\textsuperscript{12} When employees are proud of their organization for its contributions and connections to the community, they are more loyal to their employer and more likely to boast about their company to family and friends. The result is lower turnover and a positive employer brand that better attracts the best talent in the marketplace.\textsuperscript{13} A prime example of diversity partnerships is that of Pitney Bowes, the No. 1 company on the 2004 DiversityInc Top 50 Companies for Diversity list, with recruitment initiatives and partnerships developed with organizations such as the National Urban League and the National Society of Hispanic MBAs. Another example is that of Ford Motor Co., the No. 1 company on the 2003 DiversityInc Top 50 list, that made community relations a priority: Ford spent 6% of its total procurement budget ($3.2 billion) with its first-tier diversity suppliers.\textsuperscript{14}
Money Talks

The shift in purchasing power in the United States provides further evidence for the business case for workplace diversity. According to the Selig Center for Economic Growth, the purchasing power of minorities in the United States will quickly outpace that of whites in the next five years. In 2009, for example, the combined buying power of African-Americans, Hispanics, Asian-Americans and Native Americans is expected to exceed $1.5 trillion, more than triple the 1990 level by a gain of $1.1 trillion or 242%. In contrast, the buying power of whites will increase by 140%.15

Thus, in order to ensure that the company’s sales and marketing teams reach the minority groups with funds to purchase its products and services, one of the most effective avenues is to utilize the knowledge of minority employees who can relate to different groups in the marketplace. Verizon Communications, for example, utilizes its African-American spokespeople, such as the actor James Earl Jones, to attract African-American consumers." Fannie Mae, a leading mortgage lending firm, wanted to reach the many minorities who did not yet own homes; in the United States, only 46% of African-Americans and Hispanics own homes, compared with 72% of whites. The company utilized diversity training as a strategic business initiative to reach a segment of the population that could profit from their service.17

Finally, the SHRM 2004–2005 Workplace Forecast notes that one of the top economic trends is expansion into the global marketplace.18 Organizations can better capture, keep and serve their international customer base when their own workforce such as sales, marketing and customer service-understands the needs of other cultural and ethnic groups.

Metrics the ROI of Diversity

As with all business initiatives, measuring the return on investment of diversity makes good business sense. Measurement of diversity management can be considered in a number of areas, such as organizational culture, demographics, accountability, productivity, growth and profitability. For example, measuring diversity leadership commitment may involve many individual factors, such as the development of diversity vision/mission statements by a specific date, the number of times diversity is mentioned as a strategy in executive presentations, the percentage of board representation by group, the percentage of diverse employees who were promoted due to mentorship and the percentage of diversity strategy plans implemented.19

To determine the return on investment, hard and soft data must be converted to monetary values. There are five basic steps: 1) identify a unit of measure that represents a unit of improvement; 2) determine the value of each unit; 3) calculate the change in performance data; 4) determine an annual amount for the change; and 5) calculate the total value of the improvement.20

The diversity return on investment (DROI) is calculated by using the diversity initiative cost and benefits to get the benefit/cost ratio (BCR). BCR = diversity initiative benefits + diversity initiative costs. This ratio is also
referred to as a cost-to-benefit ratio. Specifically, the DROI calculation is the net benefit of the diversity initiative divided by the initiative costs: DROI% = (net diversity initiative benefits + initiative costs) × 100. This formula is the same basic formula used to evaluate other investments in which the ROI is reported as earnings divided by the investment.21

For example, the initial cost of a diversity awareness program may be $50,000. The measurable value of the program is determined to be three years. During a three-year period, the program will have a net savings of $30,000 ($10,000 per year). Since the average book value is approximately half the cost, the average investment in this case is $25,000 ($50,000 + −2). The average ROI = annual savings 4 average investment: $10,000 + $25,000 = 40%.

Short- or Long-Term Investment

The business advantage for workplace diversity is clear. Yet companies often expect short-term results. The challenge is to demonstrate measurable impact on financial success as well as realistically manage expectations. Rather than a quick fix, the business case for workplace diversity is a long-term investment and offers sustainability in a competitive marketplace.

Senior Management’s Role

Visibility, communication and accountability are key to achieving a competitive diverse workforce. A recent study on what makes and breaks diversity initiatives found three critical points of leadership: 1) accountability; 2) a passion for diversity; and 3) sustained involvement. Visible commitment throughout the organization is important: adding diversity on the agenda at executive meetings and company conferences, appointing diversity candidates to top positions, and assigning clear roles and responsibilities to the senior management team regarding diversity management. Accountability creates sustained involvement—that is, holding managers accountable to deliver diversity results. Participation in diversity councils is recommended as a development path for senior leadership.22

However, simply placing women and/or minorities in high-profile positions, for example, is insufficient. Rather, the more effective approach is to hold management accountable for results. Consequently, to get middle management and employee buy-in, top management must establish clear implementation and reporting requirements. At DuPont, for example, senior management ensures accountability for diversity management by integrating diversity into the overall business performance evaluation process, including developing cost and profit objectives as well as how compensation is determined. The company also uses targeted career development initiatives to help diverse people fill key work assignments, thus supporting advancement and addressing glass ceiling issues. The Quaker Oats Company aims to keep diversity management simple by using two key tools: 1) the diversity progress menu; and 2) the diversity accountability guidelines. The company’s goal is to supply managers with a best practices list that offers flexibility tied to individual business cultures as well as
performance.\textsuperscript{23} Nine of the top 50 companies on the 2004 DiversityInc Top 50 Companies for Diversity list tie the diversity to managers’ compensation. For example, CitiGroup measures its managers’ attempts to attract talent and develop a diverse workforce. At Verizon Communications, 5% of bonuses for directors and above are related to diversity.\textsuperscript{24} Simple daily actions also communicate commitment to workplace diversity: the CEO greets employees in their native language, and the supervisor takes time to understand direct reports with different cultural values and viewpoints.\textsuperscript{25}

**Diversity Management and the Board of Directors**

Increasingly, the business case for diversity focuses on the board of directors. The impetus to change the board composition is a direct result of the trend toward corporate governance and diversity of the workforce, customer base and other stakeholders. Organizations want a wider range of leadership skills, work styles, perspectives and expertise, as well as increased representation of women and minorities among board directors.\textsuperscript{26} There is positive evidence of change. For example, in the Fortune 500 in 2003, women held 14% of board seats (up from 10% in 1995), and 54 companies had 25% or more women on boards of directors (up from 11% in 1995).\textsuperscript{27} Finally, change in board composition is also occurring at an international level, as global organizations expand the cultural diversity of their boards with expertise in international business from other countries.\textsuperscript{28}

**Managing Diversity: HR Challenges and Opportunities**

With the changing marketplace and an increasingly diverse labor pool, HR leaders are dealing with a myriad of factors regarding diversity management. Broadly speaking, workplace diversity challenges can be considered within three interrelated categories: attracting and retaining talent, greater diversity among employees and training.

**Attracting and Retaining Talent**

Competition for talent is growing—from competition abroad, lower education levels of U.S. workers compared with other countries, U.S. immigration challenges and fear of terrorism in the United States.\textsuperscript{29} Further, with the retirement of the baby boom generation (those born from 1944 to 1960) in the next 10 years, a key concern is retention of older workers. Organizations are in different stages of preparation regarding this likely loss of talent. As of 2003, 35% were just becoming aware of the issue, 35% did not know if their organizations were ready; 23% were beginning to examine policies, and 4% had proposed specific changes. Many HR leaders are looking for ways to attract and retain older workers. Benefits and workplace programs, such as reward initiatives and flexible work arrangements (e.g., part-time work, phased retirement), are key tools that offer attractive options to older workers.\textsuperscript{30}

The skill shortage, however, will hit some industries harder and sooner than others. The nuclear power industry, for example, faces replacing as much
as 50% of its workforce. The talent crunch will also strike the expanding service industry: sales positions in the United States, for example, are expected to increase by 25%, yet many in today’s sales force are aged 55 or older.31

A recent study notes most firms are not paying close attention to retention and promotion strategies. For example, top minority talent is seeking leadership opportunities; yet companies indicate they have difficulty attracting talent for executive leadership (42%) and professional and technical skills (42%).32 In corporate America, the “revolving door syndrome” is particularly evident for women and minorities. To retain women and minorities, HR professionals should re-evaluate their organization regarding talent, mentoring, career development and succession planning. Strategic initiatives, such as mentoring, on-boarding and “listening” forums, are additional tactics to address minority retention.33

Greater Diversity Among Employees

The term “diversity” has typically referred to women and minorities. Today, however, employers are beginning to formally acknowledge other employees as well (e.g., ethnic groups, people with disabilities and self-identified gay, lesbian and bisexual persons). Some firms encourage a welcoming and inclusive environment for all employees by creating diversity network groups. Kraft Foods uses employee councils to build employee development. Through nine employee councils (African-American Council, Hispanic Council, Asian-American Council, Rainbow Council, Women in Sales Council, Black Sales Council, Hispanic/Asian Sales Council, Women in Operations and African-Americans in Operations), Kraft takes an active role in mentoring and supporting its diverse workforce. For example, the company builds relationships with universities to bring in talent through internships and internally sponsors career days focusing on leadership competencies.34

Different groups have different needs, and they want their needs recognized and met. Acknowledgment of different needs yields greater employee satisfaction, employer loyalty and, in turn, lower turnover and greater productivity. As a result, more organizations offer programs to address issues such as work/life balance and demands for more flexibility with telecommuting, adoption support, flexible health and dependent care spending accounts, elder care and domestic partner benefits.35

Within workplace diversity, one of the least discussed minority groups is people with disabilities. This group is a source of under-represented talent in the workplace. One study reveals that in the majority of companies, individuals with disabilities comprise less than 10% of their total workforce. The study recommends top management lead by example and hire qualified individuals with disabilities on their staff. Through training and focus groups, HR leaders can improve sensitivity toward employees with disabilities.36

Training

Within the context of workplace diversity, training plays a key role in retaining talent. The role of training is to promote workplace harmony, learn about
others' values, improve cross-cultural communication and develop leadership skills. Awareness training raises understanding of diversity concerns by uncovering hidden assumptions and biases, heightening sensitivity to diversity in the workplace and fostering individual and group sharing. Skill-based diversity training improves morale, productivity and creativity through effective intercultural communication. Leadership development, team building and mentoring programs are also examples of organizational training that promotes growth and collaboration. An overlooked area regarding retention is cross-cultural competence within the organization, often a missed opportunity to address minority retention concerns.

Finally, working in a diverse organization requires diversity competencies for everyone, including HR. Yet not all HR professionals are experts in diversity. A survey notes that only about one-third of companies think their HR staff has the skills to serve a diverse U.S. workforce and only 22% believe HR has the skills to serve a global workforce. HR professionals best qualified to deal with workplace diversity have experience in areas such as team building, change management, conflict resolution and cross-cultural communication.

Aligning the Diversity Process With Strategic Business Goals

The organization that best utilizes the full potential of all employees intentionally and thoughtfully aligns workplace diversity with strategic business goals by following these steps:

Define diversity. Clarify the role of workplace diversity in the organization, including leadership roles and expectations for diversity initiatives. In vision and mission statements, highlight the importance of diversity (for example, is the organization's philosophy on inclusion clearly stated?). Place the vision and mission statements on the company Web site as a public statement of the organization's commitment to workplace diversity. Communicate commitment by allocating the necessary resources-staff, budgets and time-to move the diversity process forward.

Establish accountability. With senior management, HR diversity leaders should develop challenging yet realistic goals for diversity interventions. Demonstrate organizational commitment: 1) appoint senior executives to diversity task forces for succession planning, education and training initiatives; 2) recruit diversity candidates for senior leadership positions; and 3) establish diversity goals and objectives for all leadership levels in the performance management process and reward programs. Demonstrate commitment to workplace diversity by developing solutions when problems are identified through employee attitude surveys, focus groups, etc.

Develop a diversity scorecard. Often overlooked, the scorecard is an important tool to manage diversity. The scorecard includes financial and nonfinancial recognition of diversity ROI initiatives as well as relevant feedback (e.g., change management lessons). When developing the diversity scorecard, include measures aligned with the organization's strategic business goals. When determining measures, keep in mind four themes: 1) key deliverables that leverage
the role of diversity in the organization's overall strategy; 2) utilization of diversity in the development of a high-performance work environment; 3) ways in which the corporate culture is aligned with the organization's strategy; and 4) the efficiency of the diversity deliverables.

Studies on Workplace Diversity and the Bottom Line

Several studies link workplace diversity and company performance. The study results run the gamut from identifying critical success factors for diversity initiatives that impact organizational effectiveness to connecting gender and diversity with financial performance.

The "Makes and Breaks" of Diversity Initiatives

This study found that successful initiatives that leverage diversity to enhance organizational effectiveness share certain characteristics and approaches. Specifically, successful workplace diversity initiatives hinge on committed leadership, goals/targets of measures of effectiveness, strong diversity professionals, employee involvement and ties to performance evaluation, as well as data to identify, quantify and communicate progress and challenges.

Diversity Practices That Work

Companies with diversity practices collectively generated 18% greater productivity than the U.S. economy overall. The results of this study suggest that, at a minimum, diversity progress may enhance productivity through effective good leadership and management practices. Key factors that had the greatest impact on overall perceived effectiveness of diversity initiatives were: 1) a track record of recruiting diverse people; 2) management that is accountable for diversity progress and holds others accountable; 3) leaders who demonstrate commitment to diversity; 4) rewarding people who contribute in the area of diversity; and 5) training and education to increase awareness and help employees understand how diversity can impact business results.

The Effects of Diversity on Business Performance

This study looks at the effects of racial and gender diversity on organizational performance. A key finding reveals that racial diversity has a positive effect on overall performance in companies that use diversity as a resource for innovation and learning. Further, the study results suggest that the best performance outcomes occur when diversity is found across entire organizational units.

Connecting Corporate Performance and Gender Diversity

Based on an examination of 353 Fortune 500 companies, this study connects gender diversity and financial performance. (The study does not, however, demonstrate causation.) The key findings show that the group of companies with the highest representation of women on their top management teams
experienced better financial performance than the group with the lowest women's representation: that is, 35% higher return on equity and 34% higher total return to shareholders. The study results suggest there is a business case for gender diversity (e.g., recruiting, developing and advancing women)-specifically, organizations that focus on diversity are in a stronger position to tap the educated and skilled talent in the marketplace. This is important because women comprise 47% of the U.S. paid labor force and hold 46% of management positions. In addition, women earn more than half of all bache-lo-r's and master's degrees in the United States (57% and 59%, respectively) and nearly half of all doctorates and law degrees (45% and 47%, respectively).

Notes

9. Ibid.


20. Ibid.

21. Ibid.


39. Ibid.

41. Ibid.


Diversity Nonsense

The year is young, but it is not too soon to declare an early frontrunner in the increasingly crowded field of Stupid Pseudo-Scientific Reports in Desperate Defense of Racial and Ethnic Preferences (Subcategory: Corporate-Academic Partnership). Earlier this month, the Business-Higher Education Forum’s Diversity Initiative Task Force issued *Investing in People: Developing All of America’s Talent on Campus and in the Workplace*.

In a remarkably clumsy and silly attempt to tie the report in with the war on terrorism, task-force member Roberts T. Jones—president and CEO of the National Alliance of Business—declared, “Diversity is another form of national security. As we fight to eradicate terrorism and maintain safety on our shores, we must protect our economic stability by investing in our most valuable resource, our diverse citizenry.” But it is unnecessary to consider this statement in awarding Stupid Frontrunner status to the report. It can stand proudly on its own.

The thrust of the report is: (1) American businesses should be racially and ethnically diverse; (2) a disproportionately high number of blacks and Hispanics are not academically prepared to enter the workforce; and so (3) steps must be taken to ensure that these groups are better prepared, including especially racial and ethnic preferences in university admissions.

The BHEF might have written a perfectly plausible report that reasoned, instead: (1) the American workforce should be academically well prepared; (2) too many young people are entering the workforce without adequate academic preparation; and so (3) steps must be taken to ensure that they are better prepared, including especially improving the educational opportunities of children whose parents are less wealthy. But such a report would not have viewed the world through the prism of race and would not have urged the use of racial and ethnic preferences, and so it was not written.

Now, it is undeniable that, the more members of racial and ethnic minority groups America has, the less it can afford for a high proportion of them to be relatively uneducated. This is especially true if the jobs available require more and more, rather than less and less, education. But it is not at all clear that the best way to address this problem is by rewarding underperformance or by pretending that academic disparities don’t exist.

The report insists that all children should have access to high-quality education and recommends increased financial aid to students who need it.

Fine, but there is nothing in that proposition that requires race-consciousness. And the reasons that so many African American children reach age 18 with poor educational skills has less to do with the amount of money spent on public schools than on high illegitimacy rates (seven in ten blacks are born out of wedlock, versus two in ten for non-Hispanic whites), the insulation of public schools from competition, and the too-widespread cultural belief that studying hard is "acting white."

The report acknowledges that at many campuses blacks graduate at a much lower rate than whites. Could this be because the black students who are admitted are less academically qualified? This obvious possibility is, predictably, ignored. Finances and unequal quality of elementary and secondary education are raised as possibilities, but the real stress is placed on "find[ing] ways to improve the campus climate and mak[ing] positive efforts to ensure that all students feel a sense of belonging." This can be done, the report suggests, by sensitivity training, offering more courses about "American subgroups," increasing the number of minority faculty and administrators, and "[t]he development of a 'safe harbor' on campus, where groups can meet and interact and share their cultural experiences with students from other groups."

Sorry, but such tripe will be seen as the condescending nonsense it is.

There is, in addition, the problem with defining which groups we will single out for preferential treatment. The report talks about "minorities," but of course it has to concede early on that it isn't really talking about, for instance, Asians. It also has to concede that the numbers for African Americans and Latinos often don't match up; and sometimes it talks about Native Americans and sometimes it doesn't. A rigorous study would also have to distinguish among various subgroups of Latinos (Cubans versus Puerto Ricans, for instance), and among African Americans as well. And even subgroups are not monolithic, so that there is, for instance, no reason to give preferential treatment to middle-class or wealthy African Americans (even though they are the typical beneficiaries of such preferences).

A central argument in the report is that students need to attend campuses that look like the workplace, because otherwise they won't learn how to work with people from other racial and ethnic groups. The immediate problem with this argument is that it is empirically shaky whether there are any educational benefits to diversity in the first place. The report relies heavily on a study prepared by University of Michigan psychology professor Patricia Y. Gurin. It does not mention the devastating critiques of the Gurin study published by Thomas Wood and Malcolm Sherman of the National Academy of Scholars (Is Campus Racial Diversity Correlated with Educational Benefits?) or by Robert Lerner and Althea Nagai (A Critique of the Expert Report of Patricia Gurin in Gratz v. Bollinger).

But the problems with the argument go deeper than this. It rests on a whole series of very dubious premises: (1) that black people tend to be quite different from white people, and that therefore the way one works with a black person is very different from the way one works with a white person; (2) that these differences cannot be learned on the job quickly; (3) that they also cannot
be learned directly, but are instead learned best by going to a campus that happens to have a particular racial and ethnic mix, where they will magically seep into the student’s mind, as by a sort of osmosis; and (4) that it is so important to learn these differences that it justifies deliberate racial and ethnic discrimination in order to ensure this racial and ethnic mix on campus. If any of these premises are false, then the argument collapses; in fact, they all are.

Even more improbably, the study suggests that such discrimination can be justified because it produces “better critical thinkers” and people with superior “problem-solving skills” and more “openness to new ideas.” Such talents are significantly less likely to exist, we are supposed to believe, among blacks who have not spent enough time with whites on campus, and vice versa. Pity the poor ancient Greeks. What a struggle they must have had to become critical thinkers, to hone their problem-solving skills, to be open to new ideas, when they could talk only with other ancient Greeks (I suspect women were underrepresented at the Lyceum, to boot).

Here is more Stupid Stuff:

- The report asserts that diversity is also essential for businesses “to adapt their services and products, as well as their marketing strategies, to appeal to customers from a wide range of cultural backgrounds.” This is why, for instance, Jews have always done so poorly in the retail trades, where most of their customers are non-Jewish. And it is obvious that, in order to understand how to market to foreigners, companies must hire more African Americans, the quintessential Americans. Would the BHEF allow companies that do little business in, say, Asia to limit the number of Asians they hire?
- The report argues that the “proliferation of workplace diversity programs attest[s] that many American business leaders believe that in their world, racial and ethnic diversity brings value to their enterprises.” More likely, it makes them less likely to be hounded by the federal government, sued by greedy plaintiffs’ lawyers, and mau-mau’ed by Jesse Jackson or Al Sharpton. This, incidentally, also explains why businesses sign on to reports like this one. They don’t really believe them—no intelligent person could—but they are useful public-relations insurance.
- The report says that education preferences will make their beneficiaries richer, and this will help the economy. But in the United States those who do not get into one college will still be able to go to college somewhere else, and recent data suggest that the correlation between going to a selective school and earning a lot of money is weak or nonexistent. Even if this link did exist, the GNP is not increased by robbing Peter to pay Pablo.
- Another doozy: “There is some evidence suggesting that companies that invest in diversity are rewarded by their investors,” because when they received awards from the Department of Labor for exemplary affirmative action programs, their stock prices went up, and when they agreed to settle discrimination cases, their stock prices went down. You see, investors know that diversity is good business, so they reward it when they see it and punish companies that don’t have it. But isn’t the more plausible explanation—assuming there is anything
more than coincidence at work here—that investors get skittish when they learn a company has run afoul of the law and has to pay out millions of dollars, and are comforted when they learn that a company is in the good graces of the feds?

Ed Blum of the American Civil Rights Institute created a diversity fund out of the companies that signed an amicus brief supporting the University of Michigan's race-based admissions policy, and found that the group was badly underperforming all the major stock-market benchmarks. And, he and I pointed out in an article for Investor's Business Daily, that's no surprise. Economics Nobel Laureate Gary Becker pointed out years ago in his seminal 1957 book The Economics of Discrimination that those who indulge a "taste for discrimination" and refuse to hire and promote on the basis of merit will have to pay for it.

The report presents survey data that purports to show how pro-diversity America is. But there is all the difference in the world between a general agreement with the proposition that "diversity is nice" and the proposition that, in order to achieve it, it is okay to favor some and disfavor others on the basis of skin color and ancestry. In fact, such preferences are decidedly unpopular, among individuals of all races. A recent survey—conducted by the Washington Post, Henry J. Kaiser Family Foundation, and Harvard University, no less—found that 84 percent of Asians, 88 percent of Hispanics, 86 percent of African Americans, and 94 percent of whites thought college admission "Should be based strictly on merit and qualifications other than race/ethnicity," explicitly rejecting the answer "Race or ethnicity should be a factor."

Finally, the report urges schools to stand fast and "intensify efforts" on behalf of "results-oriented approaches to enrolling greater numbers of minority students in higher education," "despite the uncertainty resulting from recent court rulings and referenda." Schools are thus urged to try to find "creative ways" around such legal niceties as a prohibition on racial and ethnic discrimination.

But such laws reflect what the report elsewhere, and hypocritically, declares as a "basic, compelling" principle: that "America needs and promises equality of opportunity." Likewise, William E. Kirwan, president of Ohio State University and co-chair of the BHEF Diversity Initiative, announced: "This report helps move us closer to equality for all American citizens, regardless of their race, creed, or color." The truth is exactly the opposite. The report is an attempt to ensure that Americans are sorted according to skin color and where their ancestors came from, and treated differently depending on which category they fall in.

By all means, improve the education that our children get. But the targeting should be based on substandard schools, not the color of the children attending them. There's nothing wrong with racial diversity, but it has little intrinsic value, and it is certainly not worth the sacrifice of excellence or abandoning the principle of fair treatment.