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The business case for diversity and the perverse practice of matching employees to customers

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Abstract

Purpose – The typical "business case" for workforce diversity management in the USA implies that matching the demographic characteristics of sellers to buyers increases firms' productivity and profitability. This paper aims to explore the consequences for both employers and employees of following that guidance.

Design/methodology/approach – The paper statistically analyzes employment data on African Americans from one large US retailer and from the US advertising industry.

Findings – In both cases analyzed, a badly conceived business case for diversity perversely translated into discriminatory employment practices, starting with stereotype-based segregation in work assignments and spreading to consequent inequality in other employment outcomes such as earnings and promotions. Such patterns illegally limit employment opportunities for women and race/ethnic minorities. Simultaneously, they fail to promote customer relationships and sales.

Practical implications – To avoid negative effects on both business and societal objectives, employers need to be guided by a business case promoting workplace inclusion, not "diversity without inclusion", which buyer-seller matching represents.

Originality/value – The business case for diversity is often considered unimportant "boilerplate". This paper alerts employers to the importance of articulating, and then following, a correct business case.

Keywords Equal opportunities, Discrimination in employment, Advertising, Retailing, African Americans

Paper type Research paper

> The evidence above documents two important points. First, academics have only mixed evidence that customers prefer to be served by similar others. Second, employers often act as if customers have this preference (Leonard *et al.*, 2004, p. 733).

I. Introduction

In the USA, the 1960s Civil Rights Movement symbolized by the leadership of Dr Martin Luther King, Jr established a moral imperative for ending workplace discrimination. The keystone legal consequence of these efforts was Title VII of the federal Civil Rights Act of 1964, which granted broad, enforceable rights to equal employment opportunity regardless of race, color, religion, sex or national origin.

Over the ensuing 50 years, these moral and legal developments have secured major reductions in workplace inequities for racial/ethnic minorities, women, and other "out

An earlier version of this paper was presented at the 10th International Human Resource Management Conference, Santa Fe, NM, June 2009.

Personnel Review
Vol. 39 No. 4, 2010
pp. 468-486
© Emerald Group Publishing Limited
0048-3486
DOI 10.1108/00483481011045425

groups". However, they have not eliminated all employment discrimination or prevented employer backsliding (Smith and Welch, 1989; Reskin and Bielby, 2005; Bendick, 2007). Remaining inequities in part reflect the choice of some employers to meet legal requirements only when they are directly challenged by public enforcement or private litigation, typically slow or unlikely events. This tendency to "wait it out" has been reinforced by sometimes wavering commitments to equal employment opportunity by some US courts and weak legal enforcement by some presidential administrations (Kelly and Dobbin, 1998).

One response to these circumstances by diversity/anti-discrimination practitioners within the human resource management community has been to articulate reasons independent of moral concerns and legal requirements why employers should provide equal employment opportunity. These rationales are commonly referred to as the "business case for diversity" because they argue that workforce diversity advances business objectives of productivity and profitability (Moran, 2006; Herring, 2009; Dobbin, 2009, chapter 6).

Most observers agree that employer support for equal employment opportunity is strengthened when these practices are viewed as promoting business' own objectives rather than solely responding to external legal or moral pressures (SHRM, 2005; Bendick *et al.*, 2008). However, the content of the business case for diversity has received little critical attention. This paper focuses such attention on one principal component of the typical business case: the claim that employee diversity equips businesses to deal with diverse customers.

Section II of this paper describes the typical business case's articulation of this argument and its potential mis-translation into discriminatory employment practices. Sections III and IV illustrate such outcomes in the USA with empirical analyses of African American managers and professional employees in one large retail firm and in the advertising industry. Section V discusses how employers can avoid these perverse results by avoiding a fundamental mistake common in diversity management today – focusing on workforce diversity rather than workplace inclusion. Finally, Section VI discusses the relevance of this analysis to workplaces outside the USA.

II. Linking employee diversity to customer diversity

When the "business case for diversity" is presented to a company, the arguments are most persuasive when they are customized to that firm, its industry, competitive strategy, history, and terminology. The public statement by one large employer, Chubb Insurance, is presented in Figure 1 as a representative example of such company-specific statements.

As is typical in such statements, Chubb Insurance essentially argues that a diverse workforce offers three advantages to employers:

(1) *Access to a broader pool of potential employees.* The native-born white male workers who have traditionally dominated much of US employment – particularly in well-paid, prestigious, influential positions – are a decreasing proportion of the available work force. Now and in the future, an increasing proportion of trained and talented employees will be race/ethnic minorities, women, and members of other "out groups" (Johnston and Packer, 1987; Bell, 2007, pp. 7-9).

Those who perceive diversity as exclusively a moral imperative or societal goal are missing the larger point. Workforce diversity needs to be viewed as a competitive advantage and a business opportunity. That's why Chubb makes diversity a business priority and strives to achieve a fully inclusive diverse workforce.

Defining Diversity

Diversity is about recognizing, respecting and valuing differences based on ethnicity, gender, color, age, race, religion, disability, national origin and sexual orientation. It also includes an infinite range of individual unique characteristics and experiences, such as communication style, career path, life experience, educational background, geographic location, income level, marital status, military experience, parental status and other variables that influence personal perspectives.

These life experiences and personal perspectives make us react and think differently, approach challenges and solve problems differently, make suggestions and decisions differently, and see different opportunities. Diversity, then, is also about diversity of thought. Superior business performance requires tapping into these unique perspectives.

Diverse Workforce

As our U.S. and global customer base becomes steadily more diverse, significant portions of Chubb's future growth must come from tapping into these diverse markets. If we are to form lasting business relationships with our customers and become a true global leader in the industry, we must understand our customers' diverse cultures and decisional processes, not merely their languages. To do so, we must begin with a diverse workplace.

It is well-proven that diverse, heterogeneous teams promote creativity, innovation and product development. Only by fully embracing diversity and maximizing the well-being and contributions of our people can we fully maximize the strength and competitiveness of our company. We must encourage individuals to reach their full potential, in pursuit of organizational objectives, without anyone being advantaged or disadvantaged by our differences.

Demographics

Once a largely homogeneous group, the faces of customers, claimants, producers, employees and suppliers have been transformed into a dynamic mix of people comprised of various races, cultures and backgrounds. In 2008, "minorities" are roughly one-third of the U.S. Population, by 2042 "minorities" will be the majority.

Clearly, the U.S. population – and the world's – is changing dramatically. Forward-looking companies that recognize and understand the implications of these demographic shifts accordingly alter their customer focus, employee base and business practices to better manage the needs of current and future customers and employees.

Buying Power

If we disregard the data on changing demographics, we also disregard the substantial growth in buying power of diverse markets. Not only are these diverse minority groups increasing as a percentage of the U.S. population, but so too is the buying power they wield.

From 1990 to 2007, minority group market share and purchasing power doubled and in some cases tripled. By 2012, that buying power will increase by another 30%. This economic clout is not limited to minorities. Gay and lesbian consumers will control a 6.4% market share, or $835 billion. The present and future monetary power of diverse markets is more apparent each year.

Business Imperative

In order for Chubb to remain competitive for talent and for customers, it is imperative that we attract and value diverse talent and enable that talent to attract and value diverse customers.

Source: http://www.chubb.com/diversity/chubb4450.html, Downloaded May 7, 2009

Figure 1.
Chubb Insurance's business case for diversity

(2) *Ability to relate to diverse customers*. Many purchasers of goods and services, both domestic and international, are different from the native-born white males who have traditionally led efforts to develop and sell products to them. Diverse employees bring differing life experiences, cultural backgrounds, and ways of thinking that will assist their employer in relating to, understanding, and meeting the needs of an increasingly broad range of customers.

(3) *A more productive work force*. Heterogeneous work groups are more flexible, creative, and innovative than homogeneous groups, making their employer more nimble in adapting to its constantly-changing business environment (Kochan *et al.*, 2003; Jackson *et al.*, 2003; Jackson and Joshi, 2004; Leonard *et al.*, 2004; Mannix and Neale, 2005).

This paper focuses on the second of these reasons, concerning a business's ability to relate to diverse customers.

Figure 1 does not make explicit exactly how employee diversity is to translate into enhanced relationships with customers, leaving managers to interpret the process through their own business perspectives. To these managers, the data on demographic trends and purchasing power in Figure 1 tend to have obvious marketing implications: If "diverse" consumer markets are large and growing, then our company needs to gear up to serve these markets. Our company's traditional ways to do so have involved tailoring products and services to these customers' preferences and targeting advertising messages and marketing strategies to them. If the same data are being presented as a rationale for our company's commitment to workforce diversity, then the message must be that another part of our strategy for serving these market segments is to provide staff tailored to them. We are being directed to hire individuals from the "diverse" groups so that these employees can be assigned to the demographic groups from which they are drawn.

In marketing, market segmentation is defined as the process of dividing a market into identifiable submarkets having similar wants, needs, or demand characteristics, with the objective of providing goods, services, and sales messages more precisely matching the expectations and requirements of customers in each segment (McDonald and Dunbar, 2004; Wedel and Kamakura, 1999). Segmentation is a well-established, useful practice in marketing science widely applied in many industries, and it is not in itself problematic for equal employment opportunity.

The problem arises from assuming an automatic match between the average characteristics of customers in a market segment and the characteristics of an individual job candidate or employee based on a single demographic characteristic, such as race, that the individual shares with the segment. According to this logic, that single characteristic guarantees special insider knowledge of, and an ability to relate to, that set of consumers.

The theory of market segmentation itself is careful to avoid such fallacies, normally applying multiple characteristics to define a segment and noting that segmentation reduces but does not eliminate variance among the large number of individuals within the segment. Thus, although American companies commonly develop marketing plans around categories such as "the urban market", "the Hispanic market", or "the women's market", they remain aware that such single descriptors do not define groups that are homogeneous and consistently different from individuals in other market segments.

However, when such segmentation is presented to line managers, these refinements are often displaced by simpler reasoning, which then tends to drive the work assignments given to customer-related employees such as sales representatives. This simpler reasoning might assume, for example, that if all women are importantly alike in certain respects and consistently different from men, then any woman employee understands and can relate to any woman customer better than her male colleagues, and that she cannot understand and relate to any male customers as well as any of her male colleagues; a single demographic characteristic is used to predict the range of customers with whom an individual employee can establish communication, credibility, and comfort.

Some observers may question that managers commonly make such extreme assumptions in interpreting their employer's business case for diversity. However, the tendency of managers to adopt this approach has been documented in many different industries. In the USA, examples can readily be drawn from such diverse industries as banking (Kearns, n.d.), real estate (Helper, 1969), legal services (ABA, 2006), education (Valian, 1998, chapter 11), restaurants (Bendick *et al.*, 2009), and cosmetology (Losangelista, 2008). In addition, we perceive this logic underlying the following fictional statements paraphrasing ones we have heard in actual workplaces:

- *Auto manufacturing:* "Send me a 'soccer mom' for our minivan engineering project because most minivans are bought by suburban women with young children".
- *Food products manufacturing:* "Jose, your parents are from Puerto Rico. We want you to pick a name for our new breakfast cereal that will work in our South American market".
- *Information technology:* "Make sure everyone on the Internet design team is under 30; the web is a young person's world".
- *Wholesale distribution:* "That's a rough ghetto neighborhood. Let's recruit someone black for that sales route because it's too dangerous for a white person".

The next sections of this paper examine the employment effects of such logic in two service industries.

III. Matching retail employees to community residents

Our first example involves "Neighborhood Stores Corporation", a fictional name disguising the identity of a real company in the *Fortune* 500. This nation-wide retailer is a long-established, profitable, growing chain with more than 1,000 establishments and tens of thousands of employees. The data we analyzed cover store managers during 2001-2005.

As a large employer and a federal government contractor, Neighborhood Stores is subject to legal mandates for equal employment opportunity and affirmative action. In response, the "careers" section of the firm's web site contains a short formal statement of the firm's commitment to ensure compliance with these requirements. In particular, as with virtually all major employers in the USA, the company's job application form includes legally-mandated phrases such as "All job applicants and employees are provided with equal employment opportunities regardless of race, color, religion, age, national origin, disability, or veteran status".

However, these perfunctory statements are far overshadowed by a multi-page section of the firm's careers web site enthusiastically touting the company's commitment to diversity as a productive business practice. A banner at the top of each page in this section announces, "Diversity is key to our corporate mission of serving our customers". The section also includes a video clip of the firm's CEO stating:

> Our company is a community retailer serving diverse customers all over the nation, and we must reflect the diversity of those we serve . . . Diversity provides us a powerful business advantage. The diverse employees moving up through our company give us an understanding of the many customer groups we serve. Their unique cultures and experiences are essential to our future success.

The web site then describes how this Neighborhood Stores' commitment to diversity is carried out through diversity-promoting policies and practices typical of many major American corporations today. These initiatives include:

- a Corporate Director of Diversity who reports directly to a top corporate executive;
- a diversity advisory council;
- special recruitment efforts to encourage job applications from race/ethnic minorities and other targeted groups;
- mentoring and training to prepare women and minorities for promotions; and
- commitments to increase purchases from minority suppliers.

No doubt partially reflecting these efforts, Neighborhood Stores' in-store management workforce includes an unusually high proportion of African Americans – 12.9 percent of the company's Store Managers, Assistant Managers, and Managers in Training. This representation can be compared to the African American proportion of managers in all large retail chains nation-wide in the same period, which was 7.6 percent (www.eeoc.gov/stats/jobpat; Bendick, 2000). In terms of this metric, Neighborhood Stores' diversity is 70 percent higher than its industry peers.

But where are these African American managers assigned? Is the "powerful business advantage" cited by the CEO assumed by the company to arise from black store managers' presumed ability to generate more profits from stores in black neighborhoods than white store managers could? That hypothesis led us to create Table I.

For purposes such as selecting which products to stock on store shelves, Neighborhood Stores classifies each of its retail establishments by customers' income and racial background using categories simplified in Table I. The table documents that

Table I. Proportion of "neighborhood stores corp". Retail establishments with an African American Manager, by customer's income level and race, 2001-2005

	Customers' average annual household income		
Predominant race of customers	< $40,000	$40,000-$60,000	$60,000-$80,000
African American	33.1	42.1	6.7
Other minorities or mixed (%)	6.8	6.6	8.2
Whites (%)	2.1	3.1	3.5

Note: Chi-squared = 52.4; $p < 0.0001$

the company extends its "tailoring" of store offerings beyond the merchandise mix to include the mix of store personnel. Among stores in low-income and moderate-income predominantly African American neighborhoods, the store manager was African American 30 percent to 40 percent or more of the time. In neighborhoods that were more affluent, more white, or both, that proportion always remained below 8.2 percent.

Is the company's intention in making these assignments to provide retail staff to whom African American customers can easily relate and with whom they can easily communicate? Is it to provide store staff with local knowledge of their neighborhoods and the background, language, or appearance to blend with their residents? If so, then this intention is not widely fulfilled. On average, Neighborhood Stores' African American store managers during 2001-2005 had little in common with residents of the neighborhoods to which they were disproportionately assigned:

- The majority of Neighborhood Stores' African American store managers were college graduates, while the majority of residents of the lower-income neighborhoods had only a secondary school education. They did not match in "social class" terms.
- The company's African American store managers earned an average of $61,801 per year, and many earned $100,000 or more, while household incomes in the neighborhoods where they were disproportionately assigned averaged under $40,000. They did not match in income terms.
- Only about 5 percent of Neighborhood Stores' African American store managers lived in the same postal zip code as their stores. The vast majority did not match local residents in terms of daily life experiences or personal networks – for example, through having children attending the same schools.
- Although residential racial segregation remains strong in many American communities, it is seldom absolute. As many as 60 percent of the residents in the neighborhoods the company labeled "African American" were non-African Americans, often from other minority groups such as Latinos or Asians. Thus, African American store managers did not even match many local residents in terms of race and ethnicity.

Simply put, other than stereotypically assuming that "all minorities are alike", it is hard to understand how Neighborhood Stores would assume that disproportionate assignment of African American managers to these neighborhoods would confer the "powerful business advantage of diversity" which the CEO trumpeted. Nevertheless, such thinking can reasonably be inferred from the combination of the assignment patterns documented in Table I and the company's rationales for valuing diversity stated so emphatically on its web site.

This lack of actual match between African American store managers and their assigned customers is only half the flaw in such assignment policies. The other half derives from the false assumption that Neighborhood Stores' customers are significantly influenced to patronize their stores by assigning staff of the customers' own race. A substantial body of empirical research covering both consumer sales and business-to-business sales confirms that, in most circumstances, buyers are not particularly concerned about the racial match between themselves and sales representatives, and sometimes are even offended by it (Hekman *et al.*, 2010). Instead,

customers report that the key to sales effectiveness is a sales staff's ability to understand, communicate with, and develop trust with them, regardless of how that is achieved (Leonard *et al.*, 2004; Lichtenthal and Tellefsen, 2001; Sengupta *et al.*, 2000). The limited importance consumers attach to simple race matching has also been documented for single-dimension matching on other visible demographic characteristics such as gender (Dwyer *et al.*, 1998), age (Kang and Hillery, 1998), and ethnicity (Comer and Nicholls, 2000).

The final irony in the pursuit of business advantage through racial matching is that the store assignments described in Table I reduce the benefits Neighborhood Stores derives from diversity in the other two forms in the typical business case. These two elements both concern utilization of employee talent – expanding the company's choice of job candidates by considering individuals from growing segments of the labor force and enhancing organizational creativity/flexibility by mixing such employees with employees of other backgrounds.

At Neighborhood Stores, these potential benefits are reduced in more ways than by limiting the range of stores to which the company assigns African American managers. They are also limited by the fact that the stores to which these managers are disproportionately assigned are "career killers" in the sense of tarnishing the performance records of employees working there and disproportionately exposing them to difficult and stressful work environments. For example:

- Neighborhood Stores' establishments in lower-income African American neighborhoods tend to have below-average square footage, which limits their total sales. Store sales volume is an important factor in the chain's formula for computing managers' bonuses, a major component of managers' total yearly earnings. In this formula, each $100,000 reduction in a store's annual sales resulted in an average $2,300 lower store manager's annual bonus.
- Stores in lower income neighborhoods tend to have higher rates of customer and staff theft, and such "inventory shrinkage" is another major factor in the company's formula for computing managers' annual bonuses. Each 1 percent increase in inventory shrinkage resulted in an average $7,033 lower manager's annual bonus. Simultaneously, assignment to crime-prone stores exposes managers to more personal danger and stress.
- To be promoted to store manager, Neighborhood Stores' assistant managers must complete a number of specific training exercises. Assistant managers assigned to older, smaller, low-income, "high shrink" stores tend to be overworked and therefore have fewer opportunities to complete the required training to become eligible for promotions.

Selected consequences of such effects on employees' careers are displayed in Table II, which compares four employment outcomes for Neighborhood Stores' White and African American managers. According to the table, during 2001-2005, African American managerial employees on average received lower performance ratings, earned less, took longer to be promoted, and voluntarily quit the company sooner than their white counterparts.

Throughout five decades of employment discrimination litigation since the 1960s, US courts have repeatedly held that "customer preferences" to be served by an employee of a particular race does not provide a legal justification for employers to

match employees to customers. Some leading federal court cases promulgating this principle include:

- *Gerdom* v. *Continental Airlines*, 692 F.2d 602, 609 (9th Cir., 1982) (discrimination cannot be justified by customer preferences unrelated to ability to perform the job);
- *Lam* v. *University of Hawaii*, 40 F.3d 1551, 1560 n. 13 (9th Cir. 1992) (customer preferences based on discrimination does not justify discriminatory employment practice);
- *Collins* v. *Kilbort*, 143 F.3d 331, 335-336 (7th Circ. 1998) (employer's discomfort with a black employee interacting with predominantly white community was sufficient evidence for a jury to find that an employment decision was based on race); and
- *Ferrill* v. *Parker Group, Inc.*, 168 F.3d 468, 474 (11th Circuit 1999) (assigning black employees to black neighborhoods in a get-out-the-vote campaign violated the employees' rights).

Thus, both the race matching pattern *per se* and the earnings and promotion consequences of that race matching illustrated in Table II placed Neighborhood Stores in substantial legal jeopardy. In 2005, class action employment discrimination litigation was initiated against Neighborhood Stores by a prominent private civil rights law firm. When that occurred, potential economic damages of many tens of millions of dollars, plus potential loss of customer goodwill from media coverage of discrimination allegations, led Neighborhood Stores to a rapid litigation settlement providing substantial compensation to African American employees and major changes in company employment practices.

Although defendants in such litigation often resent such externally-mandated changes in their employment practices, they should actually welcome the guidance toward more appropriate workforce diversity management. Prior to litigation, Neighborhood Stores was not drawing effectively from the labor pool of African American potential employees in ways on which the two remaining components of the typical business case depend:

(1) As reported earlier, the company employed a higher proportion of African Americans (12.9 percent) among its in-store managers than do other, comparable retailers (7.6 percent). However, that outcome primarily reflected the firm's aggressive hiring of African American management trainees. As

Table II.
Selected employment outcomes for "neighborhood stores corp". Store managers, by race, 2001-2005

Employment outcome	African Americans	Whites	Ratio of African American/ White	Probability
Average performance rating	3.4	3.6	0.95	< 0.0001
Average earnings (salary+bonus)	$61,023	$68,943	0.88	< 0.0001
Annual probability of promotion to store manager	9.6%	14.0%	0.69	< 0.0001
Average years with the company prior to voluntary termination	8.4	11.2	0.75	0.002

Table II reports, these trainees received lower performance ratings, were promoted more slowly to responsible positions, experienced greater stress, and earned less than their white counterparts, and consequently terminated their employment at a higher rate. Thus, the company was losing a large number of entry-level managers before they were in crucial decision-making positions such as store managers. This unproductive pattern, which is common in many firms, is often referred to as the diversity "revolving door" (Thomas, 2005, p. 67; see also Leonard, 2006).

(2) This shortfall in the company's promotion and retention of African American in-store managers, in turn, generated an under-representation of African Americans in key "above-store" leadership positions, such as among regional managers and at corporate headquarters. In combination with the over-concentration of African American store managers into districts where a disproportionate number of their fellow managers were black, this shortfall limited interaction between African American employees and employees of other backgrounds. They therefore had fewer opportunities to share their "unique cultures and experiences" and enhance the company's flexibility, creativity, and innovation by providing heterogeneity in company work teams.

IV. Matching advertising employees to target markets

The previous section discussed a retail chain selling tangible goods to individual consumers. This section analyzes an industry in which firms providing intangible services to business customers – the American advertising industry.

African Americans have worked in advertising since the modern American advertising industry emerged more than 100 years ago. Yet from that time to the present, their role in the industry has remained sharply circumscribed and segregated. These patterns are relevant to the present paper because they reflect industry leaders' assumptions concerning the productive potential of African Americans in their industry. Whether or not explicitly stated as a business case for diversity, this behavior and its underlying assumptions constitute an implicit business case.

A recent analysis of the advertising industry estimated the expected representation of African Americans among managerial and professional employees in the industry today at 9.7 percent. Their current actual employment of 5.2 percent is only 55 percent – roughly half – that expected level. Moreover, this representation is increasing at less than one-tenth of one percentage point per year, at which rate African American employment will not reach today's expected level of 9.7 percent for another 71 years (Bendick and Egan, 2009, pp. 21, 24, 42).

This persistent under-utilization of African Americans in advertising has occurred in a period that saw substantial increases in African American managerial and professional employment in other industries. According to EEO-1 data, in 1975, 2.3 percent of managers and professionals in the advertising industry were black, a rate 0.8 percentage points (one-third) lower than the comparable 3.1 percent figure for all US industries. Some 31 years later, in 2006, this gap between the advertising industry and the average of all industries had more than doubled, from 0.8 percentage points to 1.9 percentage points (Bendick and Egan, 2009, pp. 36-37).

Concurrently with these numerical shortfalls of African American employees, advertising firms persistently segregate and sidetrack those African Americans they

do employ. Among the 8,900 African American managers and professionals in the industry today, at least 3,500 – about 40 percent – are disproportionately hemmed in behind the "glass ceilings" or "glass walls" of occupational segregation (Bendick and Egan, 2009, p. 26).

Drawing on EEO-1 data and Census data for 2000, Table III presents proxy measures for three forms of this segregation.

The first line of the table reports that, compared to their white peers, African American advertising managers and professionals disproportionately hold less powerful, less-prestigious positions within their agencies, such as in media buying, accounting, or human resources. Conversely, their white peers are disproportionately over-represented in advertising creation and client relationship roles within their firms. These latter positions are considered the "heart and soul" of advertising agencies, the "make or break" functions crucial to agency success (Bendick and Egan, 2009, p. 29).

The second line in Table III reports that African Americans are under-represented in senior positions within agencies which command high levels of earnings. The table documents this pattern using race differences in the probability of holding a position paying $100,000 or more per year. That probability is 11 percentage points higher for whites than African Americans. Consistent with these findings, substantial racial differences were documented through a multiple regression analysis of incomes reported in the 2000 Census by college graduates holding full-time positions in advertising. According to that analysis, African employees earned 23.3 percent less than white colleagues with equal education, work experience, and other qualifications (Bendick and Egan, 2009, pp. 35-36 and Table A-10). According to the same analysis, women college graduates in advertising earned 19.6 percent less than their equally-qualified male colleagues.

Such substantial, widespread, and persistent racial differences strongly suggest that the managers who control hiring and promotions in the advertising industry consciously discriminate against African Americans and deliberately reserve high-level positions for people who are demographically and socially like themselves. This conclusion was reached, for example by the New York City Human Rights Commission as long ago as 1978, which stated that persistent low levels of representation of African Americans among advertising industry managers and professionals "…was not simply the result of neutral forces, but emanated directly from discriminatory practices" (Bendick and Egan, 2009, p. iii; see also Chambers, 2008).

For the present paper, such broad conclusions are less relevant than the ways in which this discrimination reflects an assumption that African Americans can be useful in advertising only in dealing with African American consumers and African American- associated products. The final line in Table III reports that African Americans in advertising tend to work in agencies where their fellow employees are

Table III.
Three indicators of occupational segregation among managers and professionals in the US advertising industry, 2000, by race

Employment outcome	African Americans (%)	Whites (%)	Ratio of White/ African American	Probability
% working in media buying or administration	41.3	33.4	0.81	< 0.0001
% earning < $100,000 per year	98.8	87.8	0.89	0.022
% working in establishments < 90% White	20.9	41.7	0.50	< 0.0001

disproportionately African Americans or other non-whites. Here, the demographic composition of an advertising agency's staff is a proxy measure of employee-to-customer matching because many of these minority-dominated establishments are "ethnic specialty" agencies targeting black customers, as distinguished from "general market" agencies serving "mainstream" markets. About 1,500 black advertising professionals and managers are currently disproportionately employed in such ethnic specialty firms (Bendick and Egan, 2009, p. 12).

Racially-specialized advertising agencies first developed during the second half of the 19th Century, when "Jim Crow" segregation characterized many aspects of American social and economic life (Chambers, 2008; Davis, 2002). When African Americans tended to own, operate and patronize racially-separate retailers, churches, banks, and newspapers, advertising messages and advertising communications channels tended to be separated along the same racial lines. However, the economic potential of the African American market was temptingly large for "mainstream" American manufacturing and distribution firms, and as early as the 1920s, these firms were hiring black-owned advertising agencies to reach African American consumers. Expanding beyond an initial client base of African American-owned firms (such as Madam C.J. Walker's pioneering producer of black-oriented hair care products), these agencies increasingly found work as conduits to black consumers for "mainstream" firms such as auto manufacturers, soft drink bottlers, and banks. The "golden age of black advertising" between 1965 and 1975 reflected the confluence of expanding attention to African American purchasing power and lack of expertise in this market in "general market" advertising agencies.

Today, some black-targeted agencies remain African-American owned, while others are subsidiaries of the huge globe-spanning advertising holding companies that dominate the industry. In either case, their primary work is "ethnic specialist" assignments such as adapting and delivering to African American consumers advertising messages developed and controlled by other agencies. In parallel, those rare African American professionals or managers employed in creative or client contact positions in "general market" advertising agencies find themselves repeatedly assigned to products associated with African American consumers, such as basketball shoes, malt liquor or fast cars (Bendick and Egan, 2009, pp. 11-13).

Underlying such assignments is a key assumption by industry managers making hiring, promotion, and assignment decisions. In considering white job applicants or employees, these managers appear willing to credit white individuals with flexible or generic skills applicable in promoting a range of products to a range of market segments. For these employees' African American counterparts, however, managers typically appear to discount such general skills, instead basing hiring, promotion, and assignment decisions solely on these employees' presumed understanding of their own racial group.

In parallel to what we observed in Section III concerning retail store managers, the actual backgrounds of African American advertising managers and professionals provide little basis for assuming strong cultural affinities between them and the "average" African American consumer. African American candidates for professional and managerial advertising positions consist primarily of college graduates and persons with "communications and persuasion" skills and work experience – for example, prior professional employment in sales, marketing, journalism, editing, or art

design (Bendick and Egan, 2009, Tables A-5 and A-6). Such backgrounds make them similar to their white counterparts and different from the "average" African American consumer, who is not a college graduate and not a managerial/professional worker. Of course, in that mismatch, African Americans are no different from their white advertising colleagues, whose education and income exceeds that of the average white consumer.

Employment decision makers in advertising tend to ignore the availability of tens of thousands of African Americans with educational and experience backgrounds comparable to the whites routinely hired in their industry. Instead, they continue to claim that the small number of black professionals and managers in advertising today reflects a shortage of "qualified" African Americans (Bendick and Egan, 2009, Chapter V). Thus, these employers are clearly not prepared to accept the first of the three propositions in the typical business case for diversity discussed in Section II – that the changing demographics of the US labor force means that an increasing proportion of trained, talented employees are to be found among race/ethnic minorities and other "out groups".

Employment decision-makers in advertising seem equally unconvinced about the third proposition in the typical business case for diversity – that heterogeneous work groups are more flexible, creative, and innovative than homogeneous groups. By employing African American professionals and managers disproportionately in "ethnic specialist" advertising agencies and their white colleagues disproportionately in "general market" agencies, they appear to assume that the best ideas for promoting products to African American customers will emerge from African Americans without input from white colleagues, and the best ideas for promoting products to whites (and other non-African Americans) will emerge from white employees working in similar isolation.

In short, in the advertising industry, the guiding mindset is: All blacks know blacks, and they know nothing else. So long as that assumption remains unchallenged, a business case for diversity along the lines of Figure 1 will be interpreted to support race matching of employees to customers rather than eliminate it, with adverse consequences for advertising agencies' business performance and American society's striving for equal employment opportunity.

V. The "business case" for inclusion, not diversity

We are not the first observers to raise concerns about employment practices employers adopt in seeking the supposed business benefits of a diverse workforce. In pioneering work more than a decade ago, Thomas and Ely (1996)4, pp. 133-5) described what they labeled an "access and legitimacy" paradigm for diversity:

> Where this paradigm has taken hold, organizations have pushed for access to – and legitimacy with – a more diverse clientele by matching the demographics of the organization to those of critical consumer or constituent groups. In some cases, ... the paradigm has led to new professional and managerial opportunities for women and people of color ... But ... access-and-legitimacy leaders are too quick to push staff with niche capabilities into differentiated pigeonholes without trying to understand what those capabilities really are and how they could be integrated into the company's mainstream work ... When a business regards employees' experience as useful only to gain access to narrow markets, those employees may feel exploited.

Thomas and Ely recommended that employers instead adopt a "learning and effectiveness paradigm". This approach (Thomas and Ely, 1996, pp. 138-51):

> [. . .] lets the organization internalize differences among employees so that it learns and grows because of them . . . Leadership must understand that a diverse workforce will embody different perspectives and approaches to work, and must truly value variety of opinion and insight . . . (While creating) high standards of performance from everyone, . . . (effective) leaders . . . take responsibility for removing the barriers that block employees from using the full range of their competencies, cultural and otherwise, explicitly forbid . . . any kind of dominance and . . . test their own assumptions about the competencies of all members of the workforce.

In applying Thomas and Ely's advice, an important first step is to develop a business case for diversity that steers employers in the right direction. Figure 2 rewrites the business case in Figure 1 into a prototype of such a statement. Although Figure 2 retains much of the wording of Figure 1, it rearranges and realigns it to support a profoundly different logic.

The first difference in this logic is signaled by the title. While Figure 1 is a "business case for diversity", Figure 2 is a "business case for inclusion". Elsewhere, we have argued that lack of diversity in an employer's workforce is best understood not as a problem in itself but as a symptom of an underlying problem: lack of inclusion in the workplace's organizational culture (Bendick and Egan, 2000; Bendick *et al.*, 2008; Hulett *et al.*, 2008). An inclusive workplace is one in which all employees are treated fairly and with civility, have equal access to resources and opportunities, and are able to contribute fully to their employers' objectives and thus their own success. Many employers attempt to increase diversity in their workforce directly – by simply hiring more "out group" employees – without simultaneously eliminating from their workplace cultures employment practices that generated lack of diversity in the first place. This approach, which we label "diversity without inclusion", rapidly turns counterproductive, as the race matching illustrated in Sections III and IV exemplifies.

A business case guiding employers away from "diversity without inclusion" emphasizes that workforce diversity can be maintained and can function as a business asset only by creating an inclusive workplace. In this spirit, the opening paragraph of Figure 2 states, "By offering an inclusive workplace, Bubb can attract, retain, and fully utilize workforce diversity which generates competitive advantage and business opportunity".

A second difference between Figures 1 and 2 is that the latter proactively explains the uses of diversity in a way inconsistent with employee-customer matching. Figure 2 eliminates Figure 1's data on the growth in minority population and purchasing power to emphasize that inclusion is not directly about penetrating specific market segments. Figure 2 then emphasizes that individual employees are not reducible to any single demographic characteristic, such as race, but instead are "culturally complex" bundles of many different backgrounds. Instead of attempting to predict which aspect of which individual's background will be relevant to any particular business challenge, the company needs to assign employees based on their full range of job-relevant skills and abilities and be open to good ideas from wherever they arise.

A final difference between Figure 1 and Figure 2 is that the latter identifies "cultural competence" as a key skill for all employees in the complex, diverse, global business environment described in the statement. Managers dealing with supervisees,

Those who perceive inclusion as exclusively a moral imperative or societal goal are missing the larger point. By offering an inclusive workplace, Bubb can attract, retain, and fully utilize workforce diversity which generates competitive advantage and business opportunity. That's why Bubb makes inclusion a business priority.

Defining Inclusion

Diversity is about recognizing, respecting and valuing differences based on ethnicity, gender, color, age, race, religion, disability, national origin and sexual orientation. Differences also include an infinite range of individual unique characteristics and experiences, such as communication style, career path, life experience, educational background, geographic location, income level, marital status, military experience, parental status and other variables that influence personal perspectives.

Bubb seeks to attract and retain a diverse workforce by maintaining a consistently inclusive workplace – one in which one in which all employees are treated fairly and with civility, have equal access to resources and opportunities, and are able to contribute fully to Bubb's objectives and thus their own success.

Diverse Workforce

Workforce diversity needs to be viewed as a competitive advantage and a business opportunity.

If we are to form lasting business relationships with our customers a nd become a truly global leader in the industry, we must understand our customers' diverse cultures and decisional processes, not merely their languages. Each of our employees is a culturally complex individual who brings to us a rich variety of backgrounds and perspectives. We cannot predict which aspects of which employees will lead to ideas addressing the needs of any particular customer, but a diverse workforce broadens the pool of perspectives from which we can draw. At Bubb, we view employees' differences as valuable assets and never a reason to limit their opportunities.

Our life experiences and personal perspectives make us react and think differently, approach challenges and solve problems differently, make suggestions and decisions differently, and see different opportunities. It is well-proven that diverse, heterogeneous teams promote creativity, innovation and product development. Inclusion is about learning to take advantage of all that diversity of thought. Superior business performance requires tapping into these unique perspectives.

To work together with diverse fellow employees requires cultural competence to understand and relate to individuals from many different backgrounds. These are the same skills we need to handle the diversity we encounter in our customers, suppliers, and other corporate stakeholders, form lasting business relationships with our customers and become a true global leader in the industry.

Business Imperative

In order for Bubb to remain competitive for employees and for customers, it is imperative that we maintain an inclusive workplace which attracts and values diverse talent.

Note: Because this statement was written by the authors and not Chubb, it is attributed to "Bubb Insurance"

Figure 2. Bubb Insurance's business case for inclusion

employees dealing with fellow employees, and staff dealing with customers and other stakeholders all need "the behaviors, attitudes, and policies enabling them to work effectively in a cross-cultural setting" (Egan and Bendick, 2008, p. 391). These skills are not natural for many individuals (Comer *et al.*, 1998; Flaherty and Pappas, 2000; Lopez and McMillan-Capehart, 2002; McNeilly and Russ, 2000, Marshall *et al.*, 1998). However, they can be taught (Bucher, 2004; Egan and Bendick, 2008). Seeking to maintain an inclusive workplace, employers need to provide training in these skills and then reward employees who apply them and sanction employees who do not.

Providing training in cultural competence is one practical human resource management practice by which employers can promote inclusion throughout their talent management systems. Others include establishing transparent, rule-driven, performance-related criteria to guide hiring, assignments, promotion, and compensation decisions, and establishing monitoring systems to hold managers accountable for inclusion practices and diversity outcomes (Bielby, 2008; Bendick *et al.*, 2008; Bendick *et al.*, 2008). Ensuring that employee-customer matching does not dictate employee work assignments is one important function of these decision-making and monitoring systems.

The lesson of the contrast between Figures 1 and 2 – and of this entire paper – is simple: A business case for diversity can either promote equal employment opportunity or its opposite, depending on exactly what the case says and how it is implemented. To ensure that the correct direction is signaled from the very beginning of an employer's diversity management efforts, specialists in diversity and discrimination matters need to ensure that their companies' statements of the business case reflect state-of-the-art thinking on workplace inclusion. Strategic leaders in human resource management and other senior corporate executives need to be critical readers of these statements and not blindly accept them as unimportant "boilerplate".

VI. Applying these lessons outside the USA

Because workforce diversity management is such a pervasive business practice in the USA, that nation is the obvious first venue in which the lessons in this paper are relevant. However, the USA is not the only nation where anti-discrimination efforts are a major concern, nor the only one in which those efforts are importantly influenced by "business case" considerations (Economist Intelligence Unit, 2009; Egan and Bendick, 2003).

Situations parallel to the USA are clearest in other industrial nations, such as Canada and the members of the European Union, where social mores and legal rights support equal employment opportunity in ways generally parallel to the USA. Similar issues often arise when multinational corporations headquartered in the USA or operating in the USA attempt to reconcile their American practices with those the company applies in the legal and social contexts of other nations around the world.

In all these contexts, the same tendency toward customer matching is likely to arise. For example, in a recent survey of 546 senior business executives from five continents, 43 percent of respondents agreed that "we need to tap new sources of talent to understand customers better and therefore to increase sales". As the authors of that study concluded, "Many companies hire employees from different backgrounds because they personally represent the taste, sensibilities, and interests of a broad range of consumer segments" (Economist Intelligence Unit, 2009, p. 16).

The US experience reviewed in this paper cautions that, if guided by such false assumptions, workforce diversity management practices can easily move in the wrong direction from both a societal and a business point-of-view. Not only in the USA, but around the world, human resource management strategies need to promote inclusion, not the "diversity without inclusion" which employee-customer matching represents.

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Further reading

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