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DIVERSITY: THE BUSINESS CASE

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When 45 U.S. corporations filed a friends-of-the-court brief supporting the University of Michigan's affirmative action policies in February, some pundits were quick to dismiss the move as a cave-in to political correctness. Sure, diversity is the right PR thing to do, and yes, it's a salve to activists pressing for more corporate support of minorities. But look through the political veneer of the movement, and you'll find that smart companies also pursue diversity because it's core to profitability - and a competitive business advantage.

Take Manpower Inc., the Milwaukee-based staffing leader, which succeeds or fails on its ability to supply employers with qualified workers. Despite declining demand currently for IT workers, the sector is expected to nearly double employment by 2010, and another labor shortage like the one of the go-go 1990s would have grave implications for the company's profitability. So a few years ago, Manpower initiated the TechReach program to train and support non-traditional labor pools - welfare recipients, minorities, disabled persons, veterans, out-of-school youth - with certified technology skills. By the end of 2002, TechReach had graduated some 350 workers in collaboration with local community organizations and employers in more than a dozen cities. This year another 1,000 will receive not only tech know-how but also interpersonal skills training, job placement, and mentoring support that helps mitigate employers' concerns about these individuals' suitability for work. "When you look at U.S. demographics, you won't be able to run an organization like ours in 15 years without a strategy to put disadvantaged Hispanic, Asian and African-Americans to work in a meaningful way," says Manpower CEO Jeff Joerres. "And you can't just turn on a switch and be there."

Joerres' sentiments are a recurring theme among the hundreds of companies we've studied at the Center for Corporate Citizenship at Boston College over the last 18 years: Developing the economic assets and social and human capital of disadvantaged communities pays off on the bottomline - by tapping new customers and labor pools, and creating more efficient suppliers and operating sites. The winning formulas all share a strong dose of community development - not only because it's the right thing to do, but *especially* because making safer, better-educated communities produces more profitable customers and more productive employees.

The path to that realization can be circuitous, often under threat of government regulation. SAFECO, the financial services giant, first started researching business prospects in minority-populated urban centers to avoid pressures from anti-redlining ordinances. But what started as a potential compliance cost turned into a major business opportunity. Four pilot programs in St. Louis, Atlanta, Portland and Seattle in the late 1990s proved that investments for inner-city housing improvements, neighborhood safety programs and independent-agent training programs could actually produce better-than-average business returns. As a result, the Diversity Marketing Initiative, formalized in 1997, has become a key competitive advantage. Both personal and business insurance lines have produced double-digit gains in new underwriting volume, with lower risk, from target minority neighborhoods - due in no small part to more minority independent agents recruited in those communities.

Such programs aren't easy to pull off, nor do they happen overnight. Chase Manhattan Bank (now JP Morgan Chase) worked two full years in the mid-1990s to structure a lending program for non-bankable Dominican supermarket operators before ever making its first loan. The program has since made Chase the dominant player in that market with a profitable \$46 million portfolio in the New York area. "This program took a lot of dedication and a lot of pushing," says David Valentino, a middle-market lending manager. "It got done because it's good business, it makes us money, and because people care." So much for the pretext of political correctness. **V**