

Profiting from Diversity



The world isn't as black and white as it used to be. The high degree of diversity in Generation Why employees now entering the workforce confirms that view. As the world has grown more complex, so has the challenge of fielding a representative workforce.

In its 2005 Workplace Diversity Practices Survey Report, the Society for Human Resource Management (SHRM) reported that more than four-fifths of its respondents said their organizations covered gender, ethnicity, race, and age in their diversity practices. At least three-fifths covered disability, religion, and sexual orientation, while slightly less than half included linguistic minorities. Generally, small organizations were less likely than larger ones to have formalized diversity practices. Few organiza-

tions—mostly large companies—reported having staff specifically devoted to diversity. In other firms, diversity programs typically fell under the human resources umbrella.

Emphasis in today's diversity programs has moved beyond simple mathematical analysis based on headcounts. Diversity programs should bring the organization closer to its environment. In other words, the composition of a firm's workforce should look a lot like the composition of the community around it. Consequently, one measuring stick for diversity programs can be how well they reflect the general population in the communities an organization serves. However, while race and gender representation continue to play roles in the equation, these statistics provide only a fragment of the story when it comes to

analyzing the effectiveness of efforts to create diverse workplaces.

In today's environment, achieving diversity need not mean compromising on qualifications. More likely it means being creative about attracting job candidates by expanding from traditional channels and ensuring that unconscious biases are not eliminating well-qualified minority and female candidates.

Because variations in background and life experience affect attitudes and behaviors on a range of issues, diversity makes economic good sense. Where a firm's staff and board are too homogenous, business opportunities may be missed simply because no one understands a potential market well enough to think about providing a desirable product or service.

Focusing on recruiting employees from under-represented groups provides an avenue for addressing immediate concerns regarding too much homogeneity within the workforce. But once a firm hires diverse workers, it must develop strategies to integrate their talents into its operations in a way that benefits the business and retains their interest and support.

Consequently, achieving diversity isn't simply about the composition of an organization's hires. It encompasses issues such as retention and advancement opportunities, which can be linked to management practices that allow diverse workforce members to feel welcomed and valued as team members. Good diversity management enables dissimilar individuals to co-exist comfortably in the work environment.

Programs viewed as successful today tend to be those in which the differing viewpoints and life experiences employees bring with them to work result in better rapport with clients—and therefore in better financial results—for the organization. With a successful program, every aspect of the organization supports and reflects diversity goals.

Implementing programs to attract and retain diverse employees need not be costly. For example, the diversity practice most frequently named by the SHRM

Managerial Inclusion and Profitability*

How Managers Rate in Terms of Inclusion %	Profitability % over Baseline
Bottom 20%	0%
Middle 60%	48%
Top 20%	60%

* Based on nearly 600 managers in an insurance company claims processing division. (Source: Novations/J. Howard & Associates, 2002)

survey participants was allowing employees to take unpaid leave on religious or cultural holidays not formally observed by the employer. Another commonly used strategy, in addition to recruiting for diversity, was participation in diversity-related community outreach efforts.

Evidence points to bottom line benefits from diversity programs as well. For example, DiversityInc publishes an annual listing of the "Top 50 Companies for Diversity." In 2005, DiversityInc's analysis of survey responses showed that while companies in its Top 50 included only 7% of the Fortune 500, they generated 22% of that group's total gross revenue. In addition, the 43 publicly traded companies included in the listing yielded a return 23.5% higher than did the Standard & Poor's 500 when dividends were reinvested over a 10-year period.

Participation in the DiversityInc listing is limited to for-profit firms with 1,000 or more U.S. employees. Ratings of the Top 50 are based on company-provided responses to an extensive questionnaire covering the areas of CEO commitment, corporate communications, human capital, and supplier diversity. As a point of interest for credit unions, financial service firms have composed the largest industry segment represented in these ratings for several years, and made up nearly one-third of 2005's diversity leaders.

Inclusive management, the end result of diversity programs that are thoroughly enmeshed in organizational culture, successfully brings a variety of viewpoints to bear on organizational decision-

making. It positively affects a wide range of organizational characteristics, including sales made, public image, customer satisfaction ratings, employee engagement and retention. One reason may be that the challenge of managing internal diversity forces employers to become better, more thoughtful managers generally.

J. Howard Associates, a multicultural consulting division of Novations Group, Inc., has documented through analysis of 360-degree feedback that inclusive, developmental managers achieve better retention and superior results from their staff members. The firm also found a strong link between inclusion and profitability in analysis of feedback on almost 600 managers in an insurance company's claims processing division. This research revealed that the 20% of managers judged least inclusive had the least profitable business units as well. In comparison, the 20% of managers judged most inclusive ran units that were 60% more profitable than those of the low performers.

Support from the top significantly influences effective implementation of diversity efforts within organizations, but buy-in from all managers will improve program success. Immediate managers are, after all, the key to satisfaction in most employer-employee relationships.

Why Credit Unions must care about Diversity

Insights from C.J. Terry, Chairperson of the Board with MarketUSA Federal Credit Union

C.J. Terry serves as Senior Manager of Diversity and Community Affairs with Giant of Maryland LLC. Her responsibilities include managing diversity programs.

Q. Define what diversity means in today's context. Are we still talking only about race and gender issues?

A. Diversity is all the ways in which we differ and yet are similar. It's what makes each of us unique. Diversity is more than race and gender issues. It includes such things as educational background, physical ability, sexual orientation, religion and the geographical area in which one was reared. Uniqueness is not a liability but an opportunity for creative thinking, innovative ways of looking at old problems, and fresh solutions for the future of your credit union. Managed diversity in the Board of Directors and senior management ensures that the leadership team of the credit union functions like a team should – maximizing the diverse strengths of the team.

Q. How does sponsoring a diversity program differ from simply doing what is legally mandated?

A. The difference between a diversity program and an affirmative action/equal opportunity program is simply taking proactive steps rather than reactive steps. A diversity program takes a proactive approach to inclusion, recruitment, retention and cross-cultural communications. An affirmative action program, which is common in industries involved with government contracts since the federal government mandates businesses with which it does business have affirmative action programs, is a reactive approach, which attempts to "right" the "wrongs" of the past. The make-up of your present Board of Directors, senior and middle management, staff and your field of membership could be indicators

that people do not look, think, act, worship, or process like you. If you think that people in a group are pretty much like you, diverse populations have not been given an opportunity to participate in that group.

Q. How do diversity programs translate into the credit union environment? Are we talking only about something that is a consideration for paid staff?

A. Diversity programs are designed to help people feel included, a part of and valued. The credit union which does not have a diversity program may have associates, volunteers or even members who feel left out because the organization has not created an environment where diverse people can thrive. This feeling of not being valued and included prevents a diverse group from achieving its potential of functioning as a highly effective unit. Credit unions that have been proactive and established a diversity program enjoy:

- Improved member loyalty – sensitivity to cultural differences improves member relationships and may impact products, policies and procedures
- Increased productivity and better workplace morale – when associates feel valued for their uniqueness they are more loyal, absent less and have more initiative.
- Improved leadership – a diverse Board of Directors and senior management team who feel valued for their diversity will better evaluate all key variables and provide your credit union with goals and creative action plans for a successful future.

Q. Most credit unions have staff sizes that would be considered relatively small by the standards of the for-profit world. How does that affect efforts to establish a diversity program?

A. Diversity programs are viable in any size organization. The numbers do not determine the effectiveness of the program. The only barometer of an effective program is the end result of members, associates, vendors, and directors feeling recognized and valued.

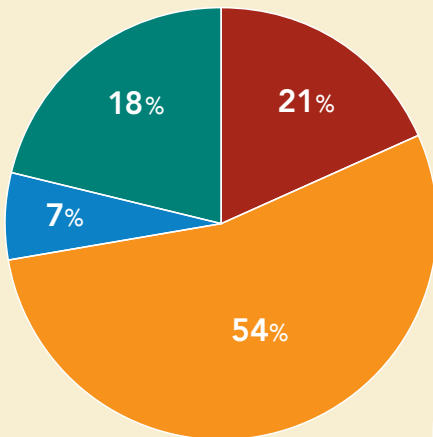
Q. If I'm the President or Chairperson of the Board of a credit union that hasn't already established a diversity program, why should I push for my organization to do so?

A. Because of the growing demands and competitiveness of our financial environment. Doing business the same old way with the same kind of thinking will not work for 21st century members. We are now in an era where everything must be done easier and faster yet yield more. Our members are becoming more technologically savvy, more time efficient, and better educated. If we do not stay ahead of the trends we will soon lose ground and become extinct. Your credit union needs the most productive and effective teams available – diverse teams functioning in a credit union with managed diversity.

Q. What advice would you offer for a credit union that is interested in establishing a diversity program?

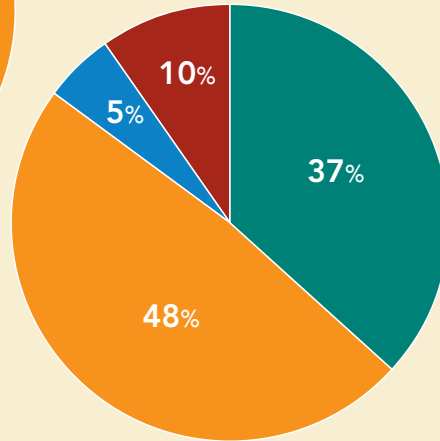
A. If a credit union is interested in establishing a diversity program they should invest time and energy into finding a company with specific knowledge of credit unions or one which is willing to invest time to best understand the credit union to assist them in developing a program that is right for their organization. There are many diversity programs available but there is no one-size-fits-all off-the-shelf program. Each program must be designed to be effective for the industry and organization or the end result will be disappointing and non-sustainable.

Breakdown of Diversity in the Credit Union Industry:

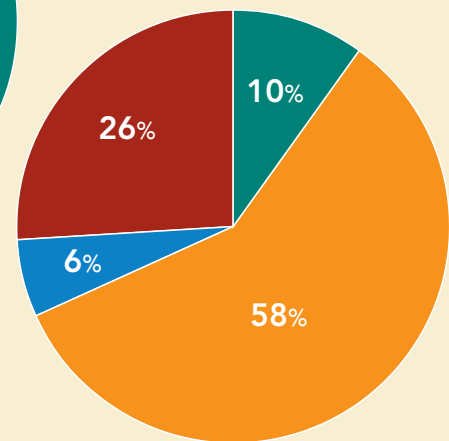


All Employees

Credit unions are fielding diverse workforces, and compare well with banks on this measure.



management



office staff

Breakdown of Diversity for Credit Unions Compared to Banks:

DEPARTMENT	TOTAL EMPLOYEES		MANAGEMENT		PROFESSIONALS		OFFICE STAFF		OTHERS	
	Banks	CUs	Banks	CUs	Banks	CUs	Banks	CUs	Banks	CUs
All Employees	870,934	51,663	184,675	8,787	181,883	4,924	438,168	33,412	66,208	4,540
Men	299,195	12,838	94,528	3,681	82,735	1,636	83,582	5,233	38,352	2,288
Women	571,739	38,825	90,147	5,106	99,148	3,288	354,588	28,179	27,856	2,252
White	617,668	37,361	153,726	7,475	140,381	3,813	272,526	22,801	51,035	5,524
Men	226,430	9,479	81,659	3,224	66,816	1,303	47,866	3,294	30,089	1,658
Women	391,238	27,882	72,067	4,251	73,565	2,510	224,660	19,507	20,936	1,614
Minority	253,266	14,302	30,949	1,312	41,502	1,111	165,642	10,611	15,173	1,268
Men	72,765	3,359	12,869	457	5,452	333	35,714	1,939	8,263	630
Women	180,501	10,943	18,080	855	12,382	778	129,928	8,672	6,910	638

Source: EEOC