

10 Minutes on Managing Diversity*

What you need to know about emerging topics essential to your business. Brought to you by PricewaterhouseCoopers.

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Creating competitive advantage through cultural dexterity

Highlights

- Cultural dexterity is a business skill that enables effective collaboration and communication among people across multiple dimensions of diversity.
- Collaboration within a group of diverse people, who approach problems from different perspectives, improves corporate performance.
- The environment a company creates can enable—or impede—the success of its employees.
- Leaders are personally accountable for creating a culture in which all employees clearly understand what success is and how to achieve it—and are actively encouraged to participate.

Facing continued economic uncertainty and concerned with the short-term demands of meeting stakeholder expectations, leaders may be tempted to cut budgets and programs designed not just to attract talent but also to create, develop, and maintain the diversity of that talent. But that would be a missed opportunity.

PricewaterhouseCoopers recently convened a Diversity Leadership Forum, in which more than 700 business leaders participated in a discussion about strengthening diversity efforts during challenging economic times. What emerged was a consensus that those companies that cultivate cultural dexterity now, as a tool for effectively managing diversity, will be better equipped to weather today's many challenges and will have a competitive advantage when the economy recovers.

Four practical considerations of cultural dexterity:

1. Complementary skills add value; diverse groups have been shown to outperform those made up exclusively of members who share similar abilities.
2. Innovation is driven by a willingness to consider unique, or previously unconsidered, ways of thinking.
3. Recognizing the value of a wide variety of abilities—and allowing those abilities to flourish—enable a company to draw the most out of its existing workforce.
4. Demographic trends will continue regardless of the economic environment, and companies that develop cultural dexterity today will be more competitive tomorrow.

At a glance

What may have begun as token diversity programs...

- Recruiting programs designed to meet legal obligations
- An effort to hire and promote minorities
- A commitment to fairness and equality
- The exclusive domain of the human resources department

...Are now strategic business imperatives:

- Recruitment and retention programs that reflect how demographic trends will impact the labor market in the near future
- A culture of inclusion that allows and encourages all employees to contribute in different ways
- An understanding that cognitively diverse organizations often outperform those drawing on homogeneous talent bases
- The personal responsibility of everyone throughout the organization, not just those with assigned diversity responsibilities

Why cultural dexterity matters now

Cultural dexterity leads to stronger, more agile organizations. It enables a wide variety of abilities to be recognized and developed, and it broadens the ways potential is identified.

Reevaluation of the ways potential is identified may reveal untapped promise that had previously gone underutilized within the organization. As companies look to do more with less, this ability to better leverage the existing workforce becomes critical.

Finding tomorrow's leaders today

At the PwC Diversity Leadership Forum, then Xerox CEO Anne Mulcahy discussed the importance of early action. Mulcahy recalled how, immediately after becoming CEO—and in the midst of a corporate crisis—she began preparing for succession. She described the process as a long, challenging, sometimes contentious one, but one that ultimately proved invaluable in equipping the company for the challenges ahead. Xerox CEO Ursula Burns is now the first African-American woman CEO of a Fortune 500 company.

Mulcahy's experience serves as a model for any company grooming tomorrow's leaders. Economic crisis or not, leaders must continue to anticipate future challenges. Demographic trends have not changed with the economy; we still face a significant labor shortage. Growth in the US working-age population in the next four decades will drop more than 60% from that seen in the previous four.¹ By mid-century, the population of Caucasians in the US, currently about 70% of the total, will drop below 50%.² In an increasingly tight—and diverse—labor market, companies will need cultural dexterity to attract and retain talent. The creation of an inclusive culture that encourages productivity, creativity, and loyalty among all employees does not happen overnight; companies that begin today will be more competitive in tomorrow's market.

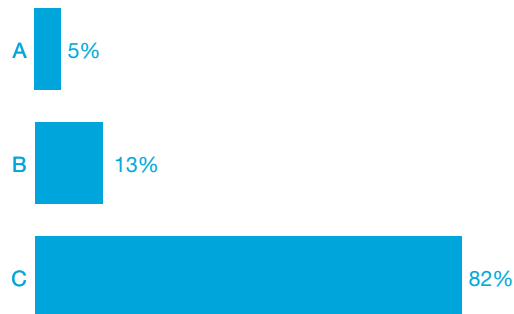
1. PricewaterhouseCoopers. 2008. *American perspectives*. New York: PricewaterhouseCoopers LLP.

2. US Census Bureau. 2008.

A basis for resilience

What is the likelihood that a woman will lead your organization in the next five years?†

- A. A woman is currently CEO of my company.
- B. It is likely.
- C. It is unlikely.



† Audience poll at the PwC Diversity Leadership Forum.

Navigating today's economy and anticipating tomorrow's opportunity require an expanded way of thinking. In that context, the diversity of an organization's talent base may be its greatest asset.

The concept of diversity is commonly framed around the traditional lines of race, gender, sexual orientation, and cultural and educational background. Those dimensions are critical in their own right, but when properly managed, they create cognitive diversity. This presence of multiple ways of thinking enables what futurist and Diversity Leadership Forum speaker Andrew Zolli calls a cognitive portfolio approach to problem solving, or the ability to approach a given problem from many different perspectives and in drastically different ways. Such an ability is vital for companies striving to manage change or weather crises with creativity and agility. It's a basis for resilience.

A business imperative

An increasing number of studies indicate a correlation between the number of women in management positions and corporate performance. A 2001 survey found that Fortune 500 firms with more female executives outperformed their industry medians by 34% in terms of profit as a percent of revenues and by 69% in terms of profit as a percent of stockholders' equity.³ A 2007 survey found that among European firms, those with higher percentages of women in management saw their stock price increase 17% more than the average in a two-year period.⁴

These results suggest that the cognitive diversity brought by just one dimension of diversity alone may impact the bottom line. The need to recruit, retain, and motivate a diverse talent base is a business imperative.

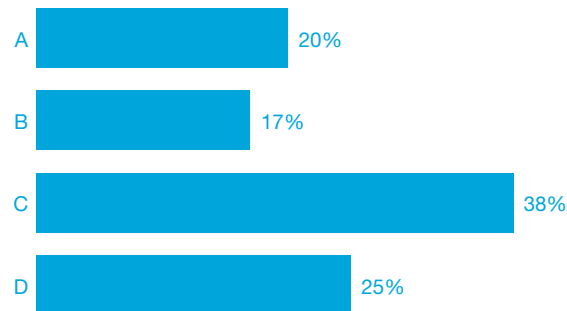
3. Rebecca Tuhus-Dubrow. "The female advantage." *Boston Globe*, May 3, 2009, final edition.

4. McKinsey & Co. 2007. *Women matter: Gender diversity, a corporate performance driver*. New York: McKinsey & Co.

Building a platform for success

What are the race and gender of the person leading diversity efforts at your company?†

- A. White woman
- B. White man
- C. Woman of color
- D. Man of color



† Audience poll at the PwC Diversity Leadership Forum.

Environment plays a critical role in an individual's success by providing opportunity and instilling motivation. At the PwC Diversity Leadership Forum, former secretary of state Condoleezza Rice recalled how, despite living in the profoundly segregated South, her family and community provided her with an alternate environment, in which she was encouraged to achieve. Racism, she learned, was other people's problem, not hers. Author Malcolm Gladwell described a charter school in the South Bronx, New York, that replaces a culture of futility with one in which effort and reward are directly connected; 80% of the school's graduates go to college, becoming, in many cases, the first in their families to do so.

Similarly, it is a company's responsibility to create an environment that offers systemic opportunities equally to all employees. This involves:

Understanding that progress requires effort; progress is not the inevitable result of population shifts. Research reveals that in the past year, women have gained little ground in the upper echelons of management. Although they constitute 50.6% of managerial, professional, and other, related occupations, women represented just 15.2% of the boards of those companies in 2008 compared with 14.8% in 2007; in 2008 women held only 6.2% of the top earner positions compared with 6.7% in 2007.⁵ Without constant attention, progress stalls—and can dissolve.

Diversifying the diversity office. Don't restrict leadership and involvement to women and minorities. Create rotational tracks in roles that include employees of all backgrounds, including white males. This embeds a firsthand understanding of diversity's importance throughout the company.

5. Catalyst. March 2009. *US women in business pyramid*.

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Courageous leadership takes hard work

In addition to steps taken at the institutional level, all leaders, not just diversity leaders, must accept personal accountability for cultural dexterity and examine their own behavior to create an environment of equal access and opportunity. For example:

Acknowledge your own blind spots.

Studies show that people make approximately 11 judgments within the first seven seconds of meeting someone new. Examine and neutralize any unconscious bias that may underlie your own decision-making process.

Start the dialogue. Demonstrate that diversity and an environment of inclusion are important by initiating conversations. Often, leaders wait for others to bring up those subjects, even in the form of complaints. The more open and authentic the dialogues that take place, the easier it becomes to promote change.

Search for behaviors of exclusion.

Whether exhibited by yourself or others, many exclusionary behaviors are unintentional—or even well-intentioned, such as assuming a working mother would refuse a weekend travel assignment. Constantly seek out and eliminate such behaviors.

Create an environment of advantages.

Small, unintentional inequalities can become pervasive in a culture. A culture of inclusion fosters an environment of small advantages—such as candid feedback, special assignments, and invitations to contribute at meetings—that are available to all. Keep a record of those who are given such advantages and the impact that it has. Make a conscious effort to include everyone on your team.

Be a visible champion of cultural dexterity. Show your commitment by what you say and do. Broaden your perspective by becoming involved with people and groups outside your normal personal and professional social circles.

Upcoming 10Minutes topics

The changing face of financial reporting

Standard setters have proposed fundamentally changing the way public companies gather and display financial data for investors and the general public. While some welcome the changes, critics say the proposal is costly and, in large part, unnecessary. 10Minutes discusses the pros and cons.

Redefining revenue

Rules for reporting revenue may soon undergo major revisions, with significant consequences for some industries. How and when companies report revenue is likely to change, along with the very definition of revenue itself. 10Minutes discusses the business challenges the revisions pose for companies and how to get a leg up on them.

How PwC can help

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