



# A Business Case for Cultural Competency



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**VISION:** West Michigan will maximize the power of cultural competency to drive superior business results and competitive advantage.

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### What is cultural competency?

Cultural competency is a business imperative with bottom line results in the form of products, and innovative strategies for business growth.

The West Michigan Chamber Coalition defines *cultural competency* as utilizing the awareness, knowledge and understanding of all people as an asset for our region. It implies an ability to work within and among diverse citizens, embracing talents, experiences, and perspectives from various cultures.

### Why is Cultural Competency Important?

Four key factors in developing a culturally competent business community are:

- 1.) Buying power of various racial and ethnic groups
- 2.) Supplier diversity practices
- 3.) Ingrained diversity and inclusion practices and policies
- 4.) Attracting and retaining diverse talent

Growth in **buying power** projects opportunity for start-up or expansion of businesses, indicates potential of new and existing products, and helps to target media and advertising to market segments. The Selig Center for Economic Growth projects the 2007 – 2011 combined buying power of African American, Asian and American Indians will grow to \$1.8 trillion, nearly quadruple its 1990 level, a gain of 1.3 trillion or 289%. The total buying power of Hispanics (a U.S. Census ethnic category, not a racial group, unified by the Spanish language) will rise from \$212 billion in 1990 to nearly \$1.2 trillion by 2011, a 457% increase.

**Supplier diversity** is a visual and economic indicator of cultural competency. More than ever, when seeking employment people are looking for an environment where they will feel comfortable, and where their values are not in constant conflict. On the most basic level, they look to see if people like them have succeeded economically and socially in the local community and region.

Consumers buy from people with whom they feel comfortable. Companies that have diverse spending practices build social capital and buyer loyalty. In a poll conducted by *Women's Business Enterprise National Council*, 80% of the women polled between the ages of 35 to 55 said they would be “compelled to try a company’s product or services” if the parent company sourced from a woman-owned business. The same percentage said sourcing from women-owned businesses would increase their brand loyalty.

In a global market, supplier diversity is an economic advantage. Companies that have a

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robust supplier diversity program drives down their cost, grows small business (which employed 52.1% of Michigan in 2004), and engages different types of people with varying experiences, enriching the customer value. AT&T documented that in 2006 supplier diversity was a factor in generating \$11 billion in revenue.

With an increasingly diverse and global workforce, the business model must have **ingrained diversity and inclusion policies and practices**. The U.S. Department of Labor estimated that in 2008, 75% of those entering the U.S. workforce would be women, immigrants, or people of color. In the past four years, millennials grew from 14% of the workforce to 21%, nearly 32 million workers.

Several findings, including that of Richard Florida, *“The Creative Class,”* and Scott E. Page, *“The Difference,”* reveal that a group with various forms of individual and cultural diversity is a better team, smarter, and more creative than a homogeneous group. A diverse group will also have a higher probability of conflict if their differences and talents are not respected and utilized. The Spartacus Group’s research found that over a 12-month period, 61% of employees reported witnessing diversity-related acts of incivility, disrespect, and/or discrimination at work; resulting in a loss of productivity, unexcused absenteeism, and turnover. The *Assessing & Attacking Workplace Incivility* study documented the fiscal impact of workplace incivility. When employees experienced an act of incivility:

- 28% lost work time avoiding the instigator of the incivility
- 53% lost time worrying about the incident/future interactions
- 37% believe their commitment at work declined
- 22% have decreased their effort at work
- 10% decreased the amount of time that they spent at work
- 12% actually changed jobs to avoid the instigator

The 2007 U.S. Bureau of Labor estimated voluntary turnover rate to be approximately 24%. The documented turnover replacement cost is one to three times the salary of a vacant position.

To **attract and retain diverse talent**, companies must demonstrate cultural competency. Michigan Future Inc. stated, *“The places that do the best in attracting talent from anywhere on the planet wins. This means building a culture that condemns rather than tolerates discrimination and segregation, as well as welcoming, with open arms, talented people from outside Michigan.”*

As Baby Boomers retire, Gen-X and Gen-Y employees are filling the vacancies. In 2007, Michigan ranked 49<sup>th</sup> in the nation in retaining young adults, losing 22,000 between 2000 and 2005. The millennial workforce desires a diverse culture, cares about their employer’s practices and policies, seeks interaction and understanding, and wants to work

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for a company where they feel respected for their differences and talents. All company's that appear on *DiversityInc.*'s list of "Top 50 Companies for Diversity" have a company wide strategic diversity plan and policies. These strategies include a top-level executive diversity officer that reports directly to the CEO, Executive Officers have performance goals tied to diversity, a robust supplier diversity program, and systems to attract and retain diverse talent.

### **How culturally competent are Michigan businesses?**

In October 2008, the West Michigan Chamber Coalition surveyed their members to establish a benchmark for cultural competency. The survey focused on the four key factors in developing a culturally competent business community.

- 1.) Buying power of various racial and ethnic groups
- 2.) Supplier diversity practices
- 3.) Diversity and inclusion practices ingrained in the business model
- 4.) Attracting and retaining diverse talent

Throughout the West Michigan region, 353 companies responded to the survey. The survey results revealed the following:

- 141 respondents had a Board of Directors; the identified diversity among the Board Members was 2.6% women and 0.7% persons of color
- 9.3% of the companies use ethnic diversity in their marketing
- 16% indicated that their company's commitment to diversity and inclusion is lead by a top executive
- 1.1% of the companies tie diversity goals to leadership performance reviews
- 5.4% of the respondents said they provide diversity training to all of their employees
- 2.5% of the businesses reported having a supplier diversity program
- 13.4% have systems in place to recruit and retain a diverse workforce
- 5.1% have programs to develop and support a diverse workforce
- 1.1% of company leaders participate in peer-to-peer diversity mentoring in West Michigan
- 45% of the respondents believe that West Michigan is welcoming to all

The business case for cultural competency is clear. Cultural competency is essential to promote, increase, and maintain economic growth in West Michigan in response to an emerging market challenged by a global economy and changing demographics. West Michigan businesses must take action!

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