

Getting **Multicultural** on the CEO Agenda

The Portrait of the New America presents large and unique business opportunities. Companies must now adjust their priorities and change their ways in order to capitalize.

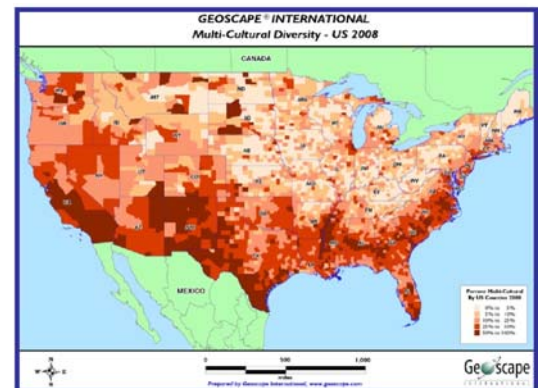
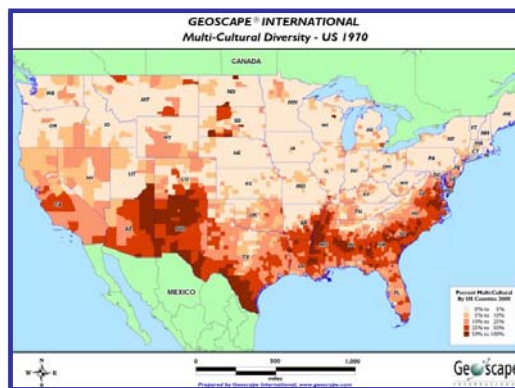
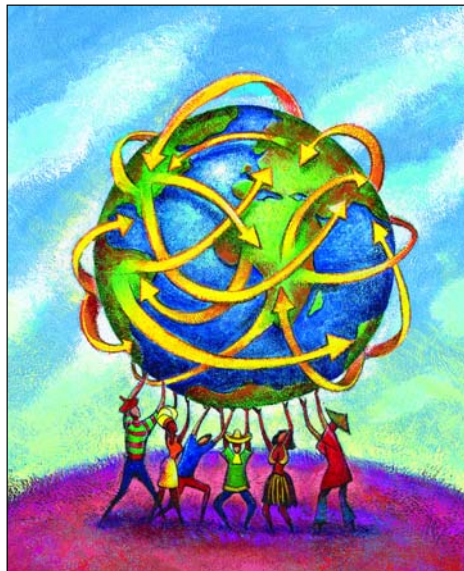
The data are staggering. US Hispanic population will surpass 44 million in 2006 and one-third of Hispanic Households report over \$50k in annual income. Asian American spending power will reach \$455 billion by 2007, an increase of nearly 300 percent since 1990. Texas has now joined Hawaii, New Mexico and California as a majority-minority state, along with the District of Columbia. Five states—Maryland, Mississippi, Georgia, New York and Arizona—are next in line with minority populations of about 40 percent. We may have our first female President and she may be African American. Figure 1 illustrates the quick and dramatic shift in the US cultural landscape from 1970 to 2008.

History shows—and businesses realize—that revolution breeds opportunity. Witness the emergence of world-class

leaders who positioned themselves correctly during the Industrial Revolution and, more recently, the Information Revolution. The Cultural Revolution taking place today represents a similar opportunity for those that get it right.

Yet, despite their recognition of this cultural metamorphosis and the concomitant growth opportunity, most businesses are reacting to the phenomenon in a pedestrian sort of way. Hiring multi-lingual employees. Acquiring the boutique ethnic business. Placing advertisements in demographically correct magazines. Before long, it

becomes apparent that, while some of these tactical moves really do make sense, their impact will be small and fleeting in the absence of a clear and compelling Multi-cultural Strategy—a strategy driven by the CEO, and one that, when executed, becomes transformational to the business itself.



by Gary Berman
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Figure 1: Cultural Snapshot: 1970 (left) versus 2008

Humanize the Statistics

The cheese, indeed, has moved. Figure 1 shows the breadth and depth of the cultural change.

However, in order to develop a greater understanding of the cultures that make up the New America, businesses need to move beyond the statistics and find out: who are these people, and what are they really like?

It is interesting to take a quick look at the general traits of Hispanic Americans and Anglo-Americans as an example. Exhibit 2 plots the characteristics of the two groups. There are marked differences between them. Hispanics tend to value the group more than the individual, prefer stability over change, will choose to cooperate rather than compete, and place higher value on personal relationships than their Anglo counterparts.

In light of these differences and preferences, a business looking to target the Hispanic Market would obviously need to adjust its approach.

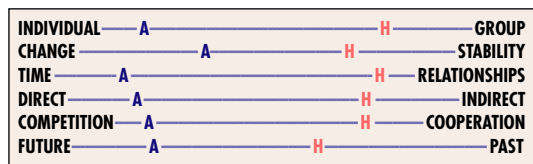


Figure 2: Values Continuum: Anglo and Hispanic

Keenly aware of the census data, all kinds of companies are trying to mobilize in a hurry: automakers, financial services firms, consumer electronic manufacturers, fast food chains, packaged goods companies to name a few. Some are throwing a lot of money at the opportunity. From 2000-2004, Latino-directed dinero from the top 50 advertisers rose 87 percent, to \$1.23 billion.

However, simply spending money doesn't mean a company is necessarily "getting it right." A study of 87 companies, conducted by Market Segment Research, reveals that approximately 20 percent of companies are getting it right. Assuming the remaining 80 percent want a meaningful share of the multicultural pie, they best get moving, lest they be left holding the bag.

There are four distinct stages of multicultural development:

Stage 1: Checking it out. This phase is characterized by very low investment—budget and people. Product customization, ethnic consumer research and customized messaging are also low. The company may just becoming aware of the multicultural potential as a result of successful attempts by an industry competitor. Often, an individual with significant passion is attempting to develop an approach or task force regarding diversity marketing, but challenged by the absence of ROI metrics.

Stage 2: Trial and Error. Multicultural marketing is on the radar of senior management, and targeting is beginning to be acknowledged as an approach that deserves incremental investment—but budgets, consumer research and customized messaging continue to get short-changed. General market metrics are tweaked, or data is mined to highlight multicultural category and brand opportunities. The company is considering engaging multicultural advertising/media agencies.

Stage 3: Almost There. Multicultural marketing is becoming integrated into the company's strategy, and reflected in budgets and people allocation, and product customization may have begun. Consumer behavior studies have been undertaken to become culturally sensitive to the segment's needs. The company has significant support from multicultural advertising/media agencies. Metrics are in place, and employee compensation may even be linked to multicultural performance. Senior management has provided support.

Stage 4: Getting It Right. Multicultural marketing is at the epicenter of the company's future plans (in place for a minimum of 3 to 5 years), and MC professionals are in the "right meetings," where asset allocation decisions are made. The company has growth expectations on the contributions from these markets. Multicultural budgets and people allocation are high and growing, and a dedicated department may be in place. A growing degree of product cus-



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You have to get below the surface—past the general categories of race and gender and into the detail: heritage, customs, accent, religion, beliefs, language, national origin, talents, skills, preferences, perspectives, physical characteristics, geographic location, thought process, values, life experiences, family status, hourly or salaried, exempt or non-exempt, sexual orientation.

tomization and messaging have emerged from continuous research into the market. ROI is at the center of every discussion.

Getting it right is not easy. The changes a business needs to make to achieve sustainable, competitive multicultural advantage are as revolutionary as the cultural change itself. For this reason, the change needs to start with the CEO.

Say Hello to Multicultural America

The CEO of a major entertainment company is listening to a bunch of kids talk about their lives and interests at a Boys and Girls Club in East Los Angeles. So are the leaders of the businesses that report to him. They just came from a lunch at an authentic Mexican restaurant where they listened to Latin music, and heard talks given by Latino television stars and the mayor of LA. Earlier in the day, they attended an African-American church service and heard from the head of the NAACP. After visiting with these kids, they are scheduled to attend a discussion of diversity within the Asian population.

The CEO and his team didn't just show up at these places; they did their homework beforehand. First, they determined the business case for multicultural. They decided that multicultural had great potential as a business and profit driver. It would be much more than a risk management or diversity training exercise; it would be a highly strategic initiative. They began by surveying their business leaders on where the company stood on the issues. Then, they conducted ethnographic studies, an anthropological technique that interviews people in their natural setting and one that is superior to a focus group approach. The interviews were videotaped and consumer insights were shared with

the team. The cultural hot buttons were established which served to set the agenda for the day in LA.

Why is this time-pressured CEO of a multi-billion dollar company spending his day doing this? And why is he making his colleagues do it too? Probably for two reasons: First, strategy is his bailiwick. He knows the size of the prize; the opportunity is a big one in terms of sheer numbers and economic clout. Since multicultural success is a key component of

the company's strategy, it becomes a top priority and is placed on the CEO agenda. He is managing his time around his priorities. Simple.

Second, he believes that to really understand ethnic cultures, you have to experience them first. Here's where it gets harder.

How do you experience multicultural? You have to get below the surface—past the general categories of race and gender and into the detail: heritage, customs, accent, religion, beliefs, language, national origin, talents, skills, preferences, perspectives, physical characteristics, geographic location, thought process, values, life experiences, family status, hourly or salaried, exempt or non-exempt, sexual orientation, and so on. It means moving past the generic "Latino" or "Hispanic" mega group to reach a deeper understanding of the more descriptive subgroups—Puerto Rican, Mexican, Cuban, Dominican, etc. It means getting yourself into the communities whose residents you want to be your customers. It's understanding them in *their* language. It's not taking a shortcut, or wading into it. It's diving straight into it. Full immersion.

Institutionalize the Process

The multicultural process needs to be institutionalized for two reasons: one is

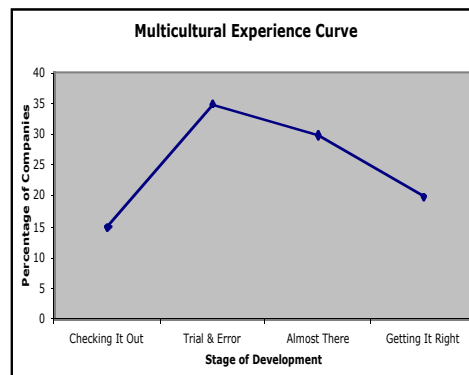


Figure 3: Stages of Multicultural Development

environmental, the other fundamental. Whether it is lonely at the top, or just stressful to live there, the average tenure of C-level executives today is remarkably short (Figure 4).

However, even if the CEO sticks around and is personally committed to multicultural change, it will not be enough without the other pieces in place. The company will still be sitting at Stage 1 or 2. There will be a flurry of attention and energy, but the effect will be short-lived, the initiative will peter out, and the company will never get to “getting it right.” For multicultural change to take hold, it must be systemic.

The pieces that need to be in place are shown in the *Multicultural Strategic Dashboard*

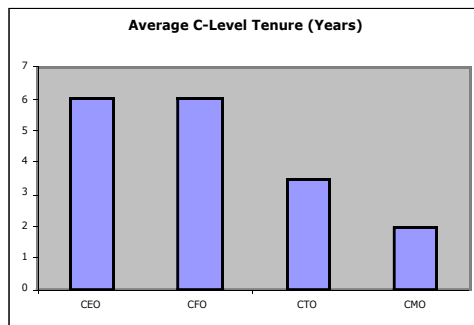
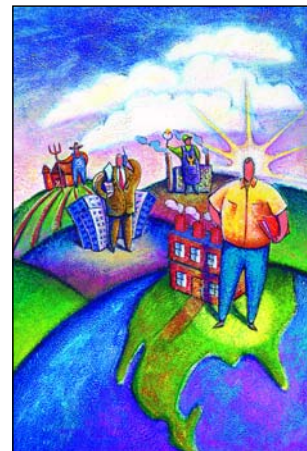


Figure 4: C-Level Tenure
Source: Heidrick & Struggles

(Figure 5). It begins with the Destination, a clear determination of what multicultural success looks like to the company. Execution of the *Core Strategies*—Positioning, Sweet Spot, and Profit/Growth—drive the business to that destination. Underpinning and aligned to the core strategies are the *Enabling Strategies*—People, Communication, and Process. Behind each of the six strategy buckets are key activities and action plans. For example, key activities behind a company’s Positioning Strategy (what makes the company different and distinct relative to competitive offerings) might be to immerse the senior team in a cultural immersion experience, and conduct more comprehensive research on an ethnic subgroup. If a company wants to make a strategic acquisition of an ethnic food business as part of its Profit/Growth Strategy, it must be sure that their enabling strategies support it. They must have people assigned that are multicultural-ready, communications that are clear to the seller, and processes that are seamlessly integrated across functions like marketing, finance and IT.

The Dashboard simplifies multicultural strategy and execution. It neutralizes distraction and compromise. It creates organizational focus. And, it increases organizational confidence because the goals look achievable, the strategies make sense, and the activities are defined.

The Portrait of the New America amounts to a shifting of the cultural fulcrum, which means it’s a brand new ballgame. Companies must choose to change, or they will be left to chase the change. For those companies that choose to change and have the focus to execute a vibrant multicultural strategy, the cultural shift can be the springboard to larger market share and bigger profits.



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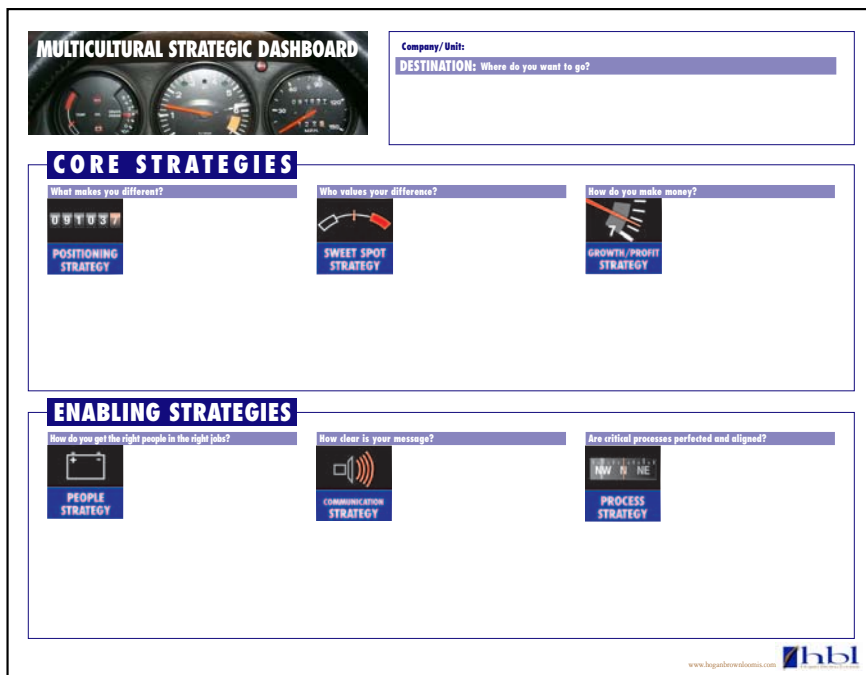


Figure 5: The Multicultural Dashboard