

The Business Case for Diversity

James J. Padilla

Group Vice President, Ford North America

Ford Motor Company

I've been invited to discuss the business case for diversity—why diversity is as critical to your business strategy as the products you make or the services you provide—and to discuss the benefits for companies that not only seek but celebrate diversity in their offices and plants, as well as in the ideas that shape their companies and their products.

It's an easy case for me to argue. As a group vice president at Ford and a member of Ford's Executive Council on Diversity and Worklife, I am invested in the value of creating a diverse culture within our company. As the grandson of immigrants, I also have a deep personal interest in the issues of diversity, inclusion, and justice. I'd like to begin by talking briefly about our diversity journey at Ford—where we've been and where we're going as we near our 100th anniversary as a company. Like most leading companies, we view the twin concepts of diversity and inclusion as critical to our future success. Many people do not realize, however, just how important these concepts have been to our past.

Nearly a century ago, our founder, Henry Ford, was among the first to cultivate a workforce from all of the communities the company served. He opened his plants, offices, trade schools, and supervisory ranks to minorities decades before other manufacturers. His grandson, Henry Ford II, built upon this foundation. He championed providing access and opportunities for all people, inside and outside the

company. The Ford family's commitment to social responsibility continues today with our current chairman Bill Ford, Henry Ford's great grandson.

I'm proud to say that Ford now has the largest number of minority dealers in the country, with more African-American dealers than all other automakers combined. We purchase more goods and services from minority suppliers in the United States than any other corporation in the world. In recent years, we have strengthened our support of minority organizations in the communities we serve. We have expanded charitable donations in the areas of education, health and welfare, and arts and humanities with a strong emphasis on programs that promote diversity. We have provided scholarships, internships, and financial support to colleges and universities. And we have worked closely with community leaders to find new ways to make a difference.

We clearly are headed in the right direction. But more important, we've expanded our notion of what diversity means in a global corporation today. At Ford, our definition of diversity goes far beyond what we look like or where we are from. It includes all of the traits that make us unique individuals. It also includes the way each of us works, as well as how we choose to blend our professional and personal lives.

As company leaders, we are challenged daily to be flexible and to recognize that there are as many ways to do a job as there are people in the world. True diversity, I believe, celebrates the rich qualities and experiences employees bring to their jobs each day and considers those qualities to be among the company's greatest assets. This, of course, is a matter of fairness and justice, but it is also good business. We are a global organization with employees and customers around the world.

Therefore, we must understand our business from our customers' perspectives—and those perspective are becoming increasingly diverse.

To fully appreciate these diverse perspectives and to ensure that we have the best talent available to do so, we believe it is critical that we create a culture of inclusion at Ford. In this culture, every employee is welcomed, supported, respected, and encouraged to make a contribution and to be successful. We want diversity to be in the bloodstream of our company. That is a promise we have made to every member of our global family.

Diversity is about much more than policies and programs. It's a commitment that starts at the very top. From the way we design our automobiles to the way we market our products, we strive to include all perspectives. That's because we believe an inclusive environment is a formula for lasting success for a business... a community...even a nation. Voices that are silenced or ignored, for whatever reason, represent not only an injustice, but also a valuable resource that has been wasted, a tragic waste of human capital. Enlightened corporations understand that these are important business issues. They realize they cannot separate themselves from what is going on around them. They realize that, ultimately, they can only be as successful as the communities, and the world, in which they exist. Therefore, they must reflect that world.

Only a diverse company can fully understand our diverse and complex global marketplace. Only a diverse company can generate breakthrough ideas that will lead to the development of innovative products and services—products and services that will meet the diverse needs of our customers. I've often said that if we want the world to buy our products, we must think like the world—and see the world through

the eyes of its many peoples. If we fail to reflect a wide variety of viewpoints and experiences in the products we design, we will lose the opportunity to serve critical markets—powerful, growing markets that research tells us are essential to future success.

Have we reached this ideal at Ford? Not yet. It's one thing to say we support diversity—quite another to transform the corporate culture in a global company as vast as ours. But we are making progress. In the past several years, we have reengineered our processes and policies to incorporate these values into our business plans. Momentum will continue to build as we continue the hard work necessary to achieve true and lasting cultural change. Each and every day, this means we must translate our values into practice and bring them alive for the people in the company—as well as for our customers, our communities, our dealers and suppliers.

We must work every day to develop solutions and new strategies and to explore new ways of doing things. Throughout our company, we must seek to create workplaces that are fair, open, and inclusive, where all employees have the opportunity to realize their full potential based on their skills and merits and where they are supported in the fulfillment of the many roles they play in their lives—as professionals, parents, partners, spouses, sons or daughters, volunteers, community activists, and students.

The Executive Council on Diversity and Worklife, a 26-member executive committee is leading this effort. Working in partnership with the Corporate Diversity and Worklife Office, we oversee diversity efforts at Ford worldwide by providing strategic direction and programs that are aligned with other initiatives. The company has also created a Global Diversity Council to help develop and implement

programs on a worldwide basis. This has included the appointment of diversity managers in key global markets who are in the best position to understand the needs and issues of local cultures and communities. The Global Diversity Council also actively benchmarks Ford's performance against the performance of other companies and shares best practices from around the world. Nearly every Ford location and every Ford plant has a local diversity council.

All of this hard work reflects a wide range of activities related to diversity initiatives. At the Global Diversity and Worklife Summit this fall, we discussed refinements to recruiting and mentoring programs and new communication tools—including a global diversity and worklife brochure and Web site. Because we strive to make all employees feel comfortable and valued at work, my organization—manufacturing—has also taken steps to develop antiharassment training for all of our U.S. plant employees. This training began as part of an EEOC settlement in Chicago, and we have voluntarily expanded it to include all of our plants.

Early studies suggest that antiharassment training has been very effective in raising employee awareness of what harassment looks like. It also has clearly defined the responsibilities of each manager and employee in maintaining a fair and respectful plant environment. Our company also works closely with nine employee resource groups—we call them ERGs—to give all employees a voice in the future of Ford. The ERGs are company-recognized organizations formed by employees with common interests, backgrounds, or perspectives. Each ERG, which represents an important employee group in our company, is championed by a senior executive.

I'm pleased to be the executive liaison for the Ford Hispanic Network Group, an extremely active ERG that was formed by my Uncle Leo, a retired Ford

employee, in 1992. Because I know it best, I'd like to use the Ford Hispanic Network Group—the FHNG—as an example of how Ford and its employees are working together, not only to promote diversity, but also to leverage the company's power to touch our consumers and their communities.

The Hispanic population in the United States is growing phenomenally, far exceeding census projections. In fact, tortillas now outsell bread in the United States! This is our new America, folks. Now let's take a deeper look at the demographics that are changing the ethnic landscape of our country. Hispanic purchasing power is expected to double every ten years, reaching an astounding \$2 trillion by 2020. At 35 million, the Hispanic population now outnumbers the population of Canada by five million people. Today, one in three people living in California and Texas is Hispanic. Hispanics also represent a young market—40 percent are under 20. The population of U.S. Hispanics in households with median incomes increased by 70 percent from 1980 to 2000, compared with a 14 percent increase in the general market. Approximately 20 percent of U.S. population growth in the next 10 years will come from the Hispanic segment. Our retail sales to Hispanics represented more than \$3.6 billion in 2000—a 45 percent increase since 1998.

It's easy to understand why companies are interested in understanding and connecting with this lucrative market. We all know this is the only way we can create products and services that interest Hispanics. The challenge is to create strategies that target this specific market—comprehensive strategies that will ultimately influence everything from our hiring practices to product development and marketing.

I'd like to share with you what we have done at Ford, in close partnership with the FHNG. Our first area of focus has been on recruiting and

development. Although the representation of Hispanics in our workforce is increasing, we know we must do better to keep pace with the changing population. Since 1998, we have nearly tripled the number of colleges and universities with high Hispanic populations where we actively recruit. We've expanded our scholarship programs as well. The FHNG and Ford are working together on these initiatives. Community outreach is another critical component of our strategy. In this area, our partnership with the FHNG is invaluable. I have worked side by side with group members on a number of volunteer efforts, including cleanup of a local park in a predominately Hispanic neighborhood.

I'm very excited about the potential of our largest outreach project, the Southwest Detroit High School Partnership Program. As part of this program, Ford employees actively mentor, provide tutoring, and hold seminars on job interviewing skills and other topics related to business success for at-risk kids in Detroit high schools. The program is a joint effort of the company, the FHNG, and the Ford African-American Network. The goal is to establish a real presence in the Detroit Hispanic and African-American communities.

We cannot accomplish our goals without strong support from our employees. That is why our third strategy is to strengthen and expand the Hispanic network at Ford. I'm pleased to say that we've had great success. In 1998, there were only 98 FHNG members. Today, there are more than 500, and nine satellite chapters will be added this year.

As I mentioned before, the FHNG is only one of nine resource groups, each of which helps us in a similar way to understand our markets, improve our recruiting efforts, and connect with the communities we serve. We often ask ERGs for

advice on product development, marketing strategies, and business plans so we can be in touch with our customers and meet their needs with new products and services.

I'm certain you will agree that these are essential steps for any company that strives to be consumer-driven. At Ford, no matter who we are, where we live, or where we work in the company, we are united by common threads. We all want Ford to be a profitable, customer-focused, global company. I believe a diverse workforce and a flexible work environment are keys to business success for a company like ours. In our industry, all of the main players have similar strategies, products, and services, so the competitive advantage must be in intellectual capital—the way our people tackle challenges with innovative and creative thinking. If we can bring together diverse minds and apply them to automotive challenges, we'll have an amazing kaleidoscope of ideas to choose from, breakthrough ideas to meet the needs of our customers in a complex and increasingly diverse world.

Questions and Answers

Lisa Gutierrez (Los Alamos National Laboratory): Can you tell us more about the Earn to Learn Program? Where can I get a sample of that curriculum so we can see how we might roll it out in New Mexico?

Jim Padilla: Focus Hope has a well documented program and a Web site, *www.focushope.edu*. The program has been in existence for some 30 years and is becoming a national model of how to do these things. If that doesn't work, call me, and I will get you some information about how the programs work.

Dundee Holt (NACME): You talked about the difficulty of persuading a kid from San Antonio to come to Detroit. One of the things that keeps us up nights is how to get companies to go where the students are. California is the largest producer of minority engineers, but a lot of companies don't recruit there because they figure they can't get somebody from San Francisco to come east. What does Ford do? What would you recommend for other companies?

Jim Padilla: You have to set realistic expectations, because it is a tough sell. We have one significant advantage, in my view. Everybody can identify and likes our products, and they want to be part of that. But I think you have to expand your recruiting net. You have to be consistent and persistent over time to build relationships. We are in a compression in the economy right now, which is going to make things more difficult. We are going to have to taper back our overall recruiting. That is a fact of life. But we still have to do the right things to make sure that our workforce is inclusive.

We will continue to go to universities and develop relationships and seek out the best students we can find. Our biggest challenge—we have done very well with females—is finding minorities. It is very, very difficult. That is why I am convinced we should consider “growing” our own. That is why I want to continue to work in southwest Detroit. I won't have to convince those kids to come to Detroit.

We can encourage kids to go to school in the local area by providing them with scholarship money and with internships. Let me tell you about what we did last summer. We provided about 40 internships for high school students from various schools in the area and then we had a luncheon for them. At the luncheon we asked each one to stand up and give a three-minute summary of what they had learned and what they planned to do next. A lot of these kids had never been on the stump before,

and they did a great job. One thing that impressed me is that we created in their minds an elevated line of sight, which is very important. They realized they could do an important job and be involved in something big. We also appointed mentors to help usher them through. The kids did a good job, and I was very proud of them.

Theopolis Holeman (Duke Energy): Your passion is evident and contagious. I am curious as to how you nurture that passion, particularly for some of your counterparts in management. You, obviously, are an advocate, but I am curious about whether that is the culture at Ford or whether you have to educate others to bring them along with you.

Jim Padilla: I think you always have to educate others. You have to make sure that the network groups, for example, are “plugged in” to the organization and have good sponsorship and that the sponsor meets regularly with their champion. I have breakfast about every six or eight weeks with some of the network group leaders to listen to them and figure out how I can help. I also bring other people in to help groups find their way. You will find that people really do want to be involved.

Sandra Begay-Campbell (NAE Committee on Diversity in the Engineering Workforce and Sandia National Laboratories): When we were preparing this conference and deciding who to invite, we read many interesting articles, some on controversial issues, such as backlash among groups opposed to or offended by resource networks. A couple of articles were about white males joining together against Ford because of Ford’s emphasis on resource networks. Can you talk a little bit about backlash?

Jim Padilla: I don't think the backlash is really against the network groups. I think the issue is that every group feels like a besieged species. You have to sift through the responses to find the real problems. I prefer dealing with things like

engineering projects, rather than litigation. Somehow, we have to convey a message that we are not giving anyone special privileges, but that we are trying to provide opportunities for everyone.

Sometimes we don't convey that message as well as we should. Our representation has improved dramatically, but, frankly, it is still way behind for Hispanics, for example. The population of Hispanics is going to be huge and we are underrepresented. Other minorities are also underrepresented, particularly in the higher levels of management. Therefore, we have to fill the pipeline with a diverse group of candidates. We are trying to make sure we have broad representation from different populations, which is bound to create some controversy. If you are aggressive in these policies, you are bound to raise some issues, but I think that you can get through those. We can find ways to be more sensitive. Frankly, we probably lack sensitivity in some of these areas.

The last thing we want to do is alienate important groups of people in our company, because everybody has a role to play. I am sure there will be litigation, and I am sure some interesting insights will come from the courts. But in the end, this is a hearts-and-minds game. The more we can involve everyone and the better people understand that this is the right way to go, the better it will be for our business and for our customers.

Gary Downey (Virginia Tech): What kind of resistance have you encountered in the organization, and how has resistance been articulated? How do you deal with resistance without polarizing the conflict and creating entrenched camps?

Jim Padilla: Over time, I think that the merits and capabilities of the individuals you move into positions will be evident. They may not be immediately evident, and there are some risks. Some of the things we do are a stretch. That's why it

is important to have support mechanisms in place to make sure that the stretch isn't too long. In some cases, you need special supports.

You have to do this with a good degree of sensitivity, and we are learning from our mistakes. But in my view, this doesn't change the course we are on. You have to do things with sensitivity, and you can't expect everybody to stand up and do handstands and cheers. The courts may not always support you either.

Joan Straumanis (U.S. Department of Education, Fund for the Improvement of Post Secondary Education): Something remarkable happened today. The breakout session reports weren't like the ones we have heard in previous conferences. I have been a member of the NAE Forum for a couple of years, and this is the first time I have seen a real focus on K through 12 teachers. In fact, all three groups focused on teachers, which was not part of the assignment. It wasn't even in the air, as far as I could tell, and yet, everybody came to the same conclusion. That was very gratifying to me, because I think improving teachers and teaching in K through 12 is the No. 1 problem in this country.

You talked about Fords working with kids in the Detroit schools. Are you working with teachers and teacher education, at Detroit-Mercy, for example? I suggest that you focus some of your attention there, especially in terms of engineering literacy. It is not just teachers' skills we have to change, but also attitudes.

Jim Padilla: That is a very good question, and I don't think we have adequately addressed it. As we involve more schools, in some of the robotics programs, for example, teachers naturally come. We also participate with the university through sponsorships and so on, but we need to do more.

As we anticipate a shrinking workforce in the automotive industry, one of the things that we are working on is encouraging technically competent employees

who opt for voluntary retirement programs to consider teaching. We offer very generous separation packages for these people so they may not have to race out and find another job. We are looking for individuals who can make a commitment to teaching, and we will see how that works. We are working with the dean of engineering at the University of Detroit on that. But let's be honest. The economic drivers for people competent in math and sciences are to go to an information technology company or someplace where they can make more money.

Karl Pister (University of California): I applaud what you are doing in Detroit, and I hope you can attract more people from California because we are getting overpopulated. You mentioned going into a school to fix an out-of-date laboratory, and certainly one must applaud that. But what about all the schools in Detroit you don't reach where laboratories also need to be brought up to date? In other words, doesn't Ford, and other corporations in Detroit, as well as the public have an obligation to see that all of the high schools in Detroit have up-to-date equipment? Wouldn't that be a better place for Ford to use its political might?

Jim Padilla: I think we have a very good record of donating from the Ford Motor Company Foundation. We spend or donate millions of dollars for a lot of the institutions represented here today.

Karl Pister: It is not the money. It is the desire or the obligation, the opportunity, to restore our public education system to a level of equality.

Jim Padilla: That is a good point. From my perspective, you have to pick some spots and make a difference, set up some role models. Companies aren't just cash machines—Ford is losing money hand over fist right now. Our funds are very limited, so we have to pick our spots. We have chosen to work primarily with about 30 universities. We focus on programs we think are important, not only for the

development of technical skills, but also for emerging technical arenas, like the environment. We just set up an environmental center at Georgia Tech.

I agree wholeheartedly that we don't do enough in secondary education or in K through 8. I think that will require a broader forum and broader support because no single industry or company or even government body has the resources and the wherewithal to address the issues of entire cities and states. It is an important topic, though, and one of the recommendations of this gathering ought to be forming that type of coalition. By the way, I come from a very large family. I have eight brothers and two sisters. One of my brothers is a science education teacher at Georgia Tech, and he used to be the head of their science education department. He lectures me all the time about my responsibilities, so I appreciate your reminder.