

CHAPTER 1

THE BUSINESS CASE FOR LATINO DIVERSITY

The trend is clear and the ramifications are obvious: the Latino community in the United States is having a tremendous impact on society in general and on the American labor force in particular. Demographic shifts in the coming years will only increase the significance of this group, making the U.S. Latino community difficult to ignore. Already it is almost impossible to go a day without seeing the influence Latinos wield. You see it through their emerging political, demographic, and economic impact. Latinos will continue to have a profound impact on society, culture, relationships, consumerism, the workforce, the economy, and business. For example, according to the Hispanic/Latino Market Profile report published by the Magazine Publishers of America (2004, p. 9), 80 percent of the teen population in Los Angeles is Latino. Such a high concentration of young Latinos is having a huge impact on local government officials, school administrators, universities, and businesses.

Because human resource and diversity practitioners are often charged with crafting inclusive talent management strategies for their organizations, they need to take special notice of the growing Latino influence. Not just because the workplace of the near future will have an increasingly Latino identity, but because effective talent management programs need to be aligned with business

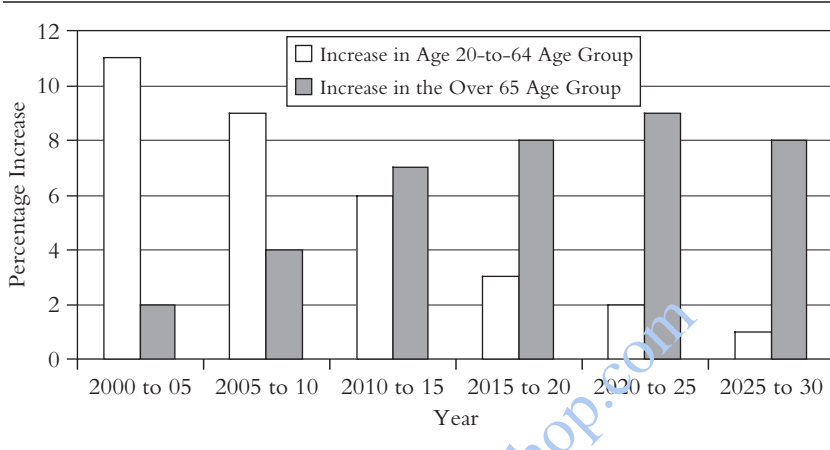
strategies. Due to their growing population and subsequent rise in purchasing power, the Latino community is being incorporated into the business strategy of more and more organizations. This is partly why organizations looking to proactively leverage this community are raising the sense of urgency regarding their Latino talent management initiatives. Specifically, organizations are looking at Latinos to be their next great source of intellectual capital and to drive future revenue growth. As this chapter indicates, organizations that fail to develop strategies to better prepare themselves for this Latino wave run the risk of shrinking corporate profits and missing out on a huge pool of available talent.

SOURCE OF INTELLECTUAL CAPITAL

Much of the economic growth in the United States for the past 25 years has been due to the accumulation of knowledge. Today, close to 60 percent of the U.S. labor force consists of knowledge workers. As a result, the United States is one of the world leaders in technological advances, scientific discoveries, and innovation. However, demographic shifts in the U.S. labor force threaten to weaken America's global leadership position. If the United States is not able to sustain the talent pool required to support their knowledge economy, it will suffer a tremendous loss in intellectual and political power.

The Bureau of Labor statistics project that by 2008 two employees will be leaving the U.S. workforce for every new one entering. Even with the tremendous increases in productivity, this trend will cause a labor shortage of approximately 10 million employees for U.S. organizations in the near future. Historically, the 20-to-64 age group has been considered the primary source for the U.S. labor force. The U.S. economy has prospered and profited from strong growth in the 20-to-64 age group since 1970. However, beginning in 2010, Figure 1.1 indicates that growth in the 65-and-over

Figure 1.1
Change in Workforce and Retired Age Group



Source: Social Security Administration

age group will increase at a faster rate than the 20-to-64 age group. Between the years 2015 and 2020, the 65-and-over age group will increase at a rate twice that of the 20-to-64 age group. A bigger concern is that between 2020 and 2025, the 65-and-over age group will increase at a rate four times that of the 20-to-64 age group. If widespread labor shortages materialize, there may be dire consequences for the U.S. economy.

The driving force behind this pending labor shortage is the retirement of the baby-boom generation. The 76 million baby boomers were born post World War II from the years 1946 to 1964. This generation is beginning to hit retirement age and it is estimated that 10,000 baby boomers will be retiring every day over the next two decades (Retirement Living Information Center, 2004). As these baby boomers retire in increasing numbers, organizations will need a source of labor to fill the positions they have vacated. Increasingly, organizations are investigating their workforce demographics in an attempt to better understand the expected effects of the baby-boom exit. Some organizations are already outsourcing

some of their work to meet their labor force needs but this is not a sustainable long-term solution for the United States for a variety of reasons. Clearly, those organizations able to prepare for the coming labor shortage will have a competitive advantage.

As baby boomers retire, they will be replaced by people who have a significantly different work experience. As this shortage of qualified, educated workers mounts, U.S. organizations will need to be much more responsive to the needs and expectations of the available labor force. As companies realize that the labor force of the near future will include a large percentage of Latinos, they are becoming increasingly interested in recruiting talented Latino candidates to fill managerial positions. Latino leaders who understand and can more effectively interact with Latino employees provide a partial solution to the pending labor shortage.

According to the Pew Hispanic Center, the rate of growth in the Latino labor force exceeds that of any other group in the United States. The *Latino Labor Report* indicates that Latinos are the only group in the current U.S. labor market that continues to grow in a substantial way. In fact, Latinos comprise a significant component of the new workers entering the labor force. Consider, for example, that between the second quarter of 2005 and the second quarter of 2006 the overall labor force grew by 2.1 million. Of those, 867,000 workers, or about 40 percent, were Latino (Kochhar, 2006).

Since Latinos will make up close to 25 percent of the workforce in the near future, understanding Latino communication styles and behavioral tendencies becomes increasingly essential as they move into supervisory and managerial positions in greater numbers (Chong and Baez, 2005). The war for top Latino talent is already intensifying as businesses across the United States are aggressively seeking Latino professionals to staff key positions. This can be seen through the proliferation of Latino job fairs, Latino online job

boards, and the growing number of companies partnering with Latino nonprofit organizations, such as the Hispanic Alliance for Career Enhancement (HACE), to help enhance the effectiveness of Latino recruiting programs.

However, those employers who fail to appreciate and embrace the valuable cultural aspects that Latinos bring to the workplace run the risk of low productivity, employee dissatisfaction, lack of commitment, and turnover (Carr-Ruffino, 2003). Companies wishing to gain a competitive advantage should seek to better understand and enhance the experience of members of the Latino community in their workplace. Employers should also try to identify how their company culture influences the behavior and experience of Latinos (Ferdman and Cortes, 1992). Top Latino professionals, knowing that they are highly sought after, will become more selective and will only join organizations who recognize their individual and group needs and who make them feel appreciated and supported (Carr-Ruffino, 2003).

Latinos already have the highest rate of employment of any U.S. minority group and their role in the U.S. labor force will be even more prominent in the next few years. Human resource and diversity practitioners who see Latino diversity as exclusively a moral imperative are lacking a big picture perspective. To truly win the favor of senior management and to gain access to budget resources, Latino diversity needs to be viewed as a competitive advantage and business opportunity by those charged with leading Latino talent management initiatives.

LATINO PURCHASING POWER

If companies disregard the data on Latino demographics, they also disregard the substantial growth in the purchasing power of the Latino market. As companies search for new markets to help drive

sales growth, they increasingly are setting their sights on the Latino community in an effort to attract new consumers. The Latino consumer market for 2007 is estimated at \$800 billion. This size makes the U.S. Latino consumer market one of the top 10 largest economies in the world surpassing the gross national product (GNP) of entire countries including India, Mexico, Brazil, and Australia. Projections indicate that Latino purchasing power will soon surpass African American purchasing power in the United States and could reach \$1 trillion by 2010. Besides pure population growth, some of the trends driving the growth in Latino purchasing power include increased Latino employment rates and the increased ability to receive credit.

One study indicates that since 1990 the Latino population in the United States has grown by 188 percent. However, during that same time, their purchasing power grew by 415 percent (Humphreys, 2006). In North Carolina, for example, Latino purchasing power has grown by over 1000 percent since 1990. Add to this the fact that Latinos have one of the highest percentages of disposable incomes of any minority group and you can clearly see the attractiveness of this market.

With such statistics, it is easy to see why Latino consumers are gaining the attention of businesses. They see the Latino market as a catalyst for economic growth. Successfully engaging the Latino market is no longer an option for businesses, it is quickly becoming the key to economic survival. According to a study conducted by HispanTelligence (2006), the research division of Hispanic Business Inc., companies spent more than \$3.3 billion to market products to Latinos in 2005, a 6.8 percent increase from 2004. According to *Hispanic Business Magazine* (2006) the top companies advertising to the Latino market, Table 1.1, are spending well over \$150 million annually to reach the Latino consumer.

In order to tap into this consumer market, however, companies must understand the complexity of the diverse Latino community.

Table 1.1
Top 10 Latino Market Advertisers in 2006

<i>Company</i>	<i>Spending (In Thousands of Dollars)</i>
Lexicon Marketing	162,695
Procter & Gamble	154,278
Univision	99,880
General Motors	91,924
Sears, Roebuck & Company	77,286
Johnson & Johnson	71,677
AT&T	71,244
McDonald's	68,655
Wal-Mart	58,515
PepsiCo	54,921

Source: Media Report. 2006. Top Advertisers in the Hispanic Market. *Hispanic Business*, December.

Organizations are quickly realizing that a single marketing approach does not fit all Latino consumers. Differences are strong enough and affect profits enough that companies are making dedicated efforts to better understand the Latino community.

Organizations first started to establish formalized efforts to reach Latino consumers in the early 1960s. Cuban advertising executives who had come to the United States to get away from Fidel Castro's regime in Cuba convinced U.S. advertisers that there was an untapped Latino consumer market that required unique marketing attention. Initially, advertising and marketing efforts intended to reach Latino consumers simply involved translating current ad campaigns into Spanish. However, often the branding and marketing message was lost in translation when simply converting to Spanish language was the extent of the Latino marketing efforts. Today, companies are much more knowledgeable about the Latino consumer and have recognized that simply advertising in Spanish is an overly unsophisticated view of this market segment. Companies do not define all Anglo consumers across the nation with a one-dimensional segmentation model. Smart marketers

have realized that it is not suitable to do so for Latino consumers. According to the Association of Hispanic Advertising Agencies (Kravetz, 2006), the advertising and marketing campaigns used today involve more sophisticated and nuanced ways of connecting with Latino consumers.

For example, a recent article in the newspaper *Crain's Chicago Business* highlighted the story of Indianapolis-based ATA Airlines, which was struggling to determine why it was not having success tapping into the Latino market (Klein, 2007). Their ad slogan was "Use our airline to get away." What the airline company did not realize was that most Latinos do not want to "get away," but instead prefer to spend their vacations with their extended families. The article quoted George San Jose, president of the San Jose Group of Chicago, a leading Latino marketing firm. With this additional insight of Latino culture, the airline changed its slogan to, "The official airline of family vacations." This change resulted in improved acquisition of Latino consumers by ATA.

Other unique aspects of the Latino culture and demographics are providing greater opportunities to some organizations than others. For example, because Latinos have a high birth rate, they tend to have large families. For organizations that sell baby and family products, the Latino market has a huge revenue potential. Other aspects of the Latino community create unique marketing implications for advertisers. For example, as you will learn in Chapter 3, Latinos favor group decision making, tend to avoid conflict, and rely heavily on experts for guidance. Advertisers need to understand such cultural elements and leverage these concepts in their marketing campaigns to better tap into the mindset of the Latino consumer. Aspects of Latino culture can impact other business functions as well. For instance, Latinos tend to have different attitudes toward the concept of time. The implication of this is that companies may want to provide customer service in a different

way and during extended time windows to better meet the needs of Latino consumers.

LINK BETWEEN THE WORKPLACE AND MARKETPLACE

Organizations are recognizing that simply partnering with organizations that specialize in Latino marketing is not enough, however. They need to employ increasing numbers of their own Latino employees who can provide additional insight into the mindset of the Latino consumer. These organizations want employees to help them not just with advertising campaigns, but to assist in the development of products and services that are attuned to the characteristics of Latino culture. One organization that has benefited from this approach is PepsiCo, the convenience food and beverage company based in Purchase, New York. Adelante, the Latino employee network at PepsiCo, helped in the development of guacamole-flavored Doritos Tortilla Chips. Members of Adelante provided feedback on the taste and packaging of the product to help ensure it would be regarded as authentic in the Latino community. Their insights helped to make this product one of the most successful new-product launches in PepsiCo's history, generating more than \$100 million in sales in its first year alone (Rodriguez, 2006c).

Latino employees in key positions can also help companies better understand the impact of regional clustering of different subgroups within the Latino community. Such insights can help an organization capitalize on cultural nuances by fine-tuning product, distribution, and/or ad messaging according to the *Hispanic/Latino Market Profile* published by the Magazine Publishers of America (2004, p. 8). For example, a company such as McDonald's could introduce a sandwich product in Florida that caters to the Cuban

palate and a totally different sandwich product in Los Angeles that appeals to Mexican taste preferences.

Because of the tremendous opportunities that exist within the Latino consumer market, companies are seeking guidance from their Latino employees in a variety of other areas. Organizations also depend on their Latino employees to provide further clarity as to language preferences based on generational patterns and level of acculturation/assimilation. Similarly, companies have realized that since the Latino population is relatively young, many Latinos have not had a chance to establish strong brand loyalty to particular products. With the help of Latino employees, companies can better craft brand messages that appeal to this young Latino market.

Because they know the differences and the similarities within the demographic group, talented Latinos can bring increased business opportunity to their employers. For example, the Hispanic business unit at Merrill Lynch, the wealth management, capital markets, and financial advisory company, generated over \$1 billion worth of new business nationwide in 2004, double its goal. Because of the growth of the Latino market, the company decided to hire 100 bilingual Latinos to make further inroads into this Latino consumer market (Grow et al., 2004).

These Latino professionals can contribute marketing insights because they relate well with the Latino ethnic consumer. This is the value of having a workforce that mirrors a company's desired customer profile. For example, only a Latino employee can accurately describe the tension that Latinos face as they try to acculturate into American society and how this impacts the psyche of the Latino consumer. They might recommend marketing campaigns that reference their country of origin, the importance of staying connected to family back home, or images that reinforce a sense of nostalgia (Synovate, 2004). For any company to market its products and services to Latinos effectively, it needs to have individuals in key roles who possess firsthand experience of the culture.

American businesses compete in a vibrant marketplace where customer needs are constantly changing. Meeting those needs effectively requires an ability to adjust quickly. The capability to adjust and adapt quickly to Latino consumer needs lies in the ability for companies to harness the Latino diversity they have within their organization. A failure to tap into a pool of Latino employees will result in an organization's inability to realize the potential that exists within the Latino consumer market. This requires more than simply having Latino employees on staff, however. In order to see diverse prospects, a company must have the ability to learn from their Latino employees and to grow that capability within the organization.

SUMMARY

Human resource and diversity practitioners must begin using the language of business when trying to promote their Latino talent management initiatives. First, human resource and diversity executives can incorporate Latino initiatives as a potential source of intellectual capital to help combat the pending labor shortage due to retiring baby boomers. Doing so will allow a company to remain competitive in the knowledge economy. Second, those in human resource and diversity functions can demonstrate that they understand and appreciate the difficulty of generating new sources of revenue and the pressure of winning new customers. By aligning Latino initiatives as a mechanism to more effectively tap into a growing consumer segment that will soon reach \$1 trillion in size, human resource and diversity executives can validate their role in helping to increase sales growth. Improving competitiveness in a knowledge economy and identifying new ways to grow revenue provide human resource and diversity practitioners with a strong business case for Latino talent management initiatives.

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