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An uncharacteristic way to reason in favour of diversity and inclusion

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For many in society, diversity and inclusion are vogue and politically correct terms that are often employed in the marketplace today. Unfortunately, based on most research reports, it is becoming increasingly clear that prescribed training programmes and workshops alone are not adequate for remedying lifelong biases in the workplace. How can a bias that has been inculcated into one's *raisons d'être* since childhood be eradicated? Can two-hour or three-week workshops or training programmes truly deracinate bias? Evidence is mixed at best.

As many of us strive to find a new pro-diversity and inclusion argument, there is a new theory that might help. The theory is based on cost. In other words, what is the cost of discrimination to the company, the marketplace and the individuals on the giving and receiving ends of bias? We can refer to this as the Discrimination Cost Index (DCI). One way to show that discrimination or biases are costly to businesses is to show the 'injury' caused to all involved by revealing the anatomy of both obvious and hidden costs. So the definition of DCI is bias equals an honest calculation of the real cost of the case's both known and hidden costs.

To fully appreciate the cost of discrimination, one has to look at a real life example of a corporate lawsuit as a result of a bias or discrimination case to serve as a case study. Back in April 1999, Coca-Cola was sued for racism, and settled the case in 2000 for $156m. However, were the damages the only cost of the 'injury' to Coca-Cola and others, or were there additional costs? There was a wide array of actual costs involved, which need to be factored into the calculus to determine the actual DCI. So, for example, the items that comprise the full cost of this lawsuit to Coca-Cola include, but are not limited to, those outlined below.

First, the lawsuit, in which a $156m settlement figure was agreed.

Second, the formation of the Diversity and Inclusion Department. The establishment costs for this department included a vice president (VP) of diversity and inclusion (the average salary of a VP in any corporate setting is six figures, and this position will now be permanent, meaning the cost does not go away after a year or two), training materials, hiring new junior staff to run the department, the formation of an additional layer of red tape, and so on.

Third, external influencers. The judge asked that an external panel be established to oversee the corrective measures between Coca-Cola and its community neighbours. In fact, the New York Times reported the cost of introducing sweeping changes at $36m, in addition to the $156m.

Fourth, brand. Brand damage is usually innumerable, but it is a major factor in the cost index. Often, companies must launch new marketing campaigns to rectify the poor image caused by a lawsuit. This is usually not factored into the advertising budgets of companies.

Fifth, firing. Usually, the abusive staff members who caused the lawsuit are fired not because they are incompetent but because they are racist. Companies generally do not screen for racism as a precondition for employment. This vice is usually unexpected. Nevertheless, it is a potential cost, and unfortunately for Coca-Cola, this potential was realised. Therefore, losing good employees with excellent skill sets is another cost because replacements must be recruited. This negatively affects staff morale in general and disrupts workflow due to trust issues between staff.

Sixth, training. Forced training occurs after a 'discrimination injury'. To its credit, Coca-Cola provided training for all employees regarding all issues of diversity and inclusion. Thus, the DCI is reflected in training hours required to teach principles assumed to have been developed at a young age, such as respecting others and refraining from boorish behaviour. Thus, valuable company time is spent learning basic manners in what seems to be collective punishment. The time could have been used to increase production or innovation, for instance, which therefore produces an additional cost.

Seventh, market share wars. When negative publicity for a large corporation, or any entity, occurs, it invites the competition to manipulate the market for gain. Pepsi and other competitors were pleased to acquire new customers, which is yet another cost.

Finally, stock market cost. While the costs listed thus far are quite expensive, the most concerning cost is related to how discrimination affects society. When Coca Cola settled the case, the stock market traded the company’s stock down, decreasing it by six percentage points. If it is true that most smart investors have Coca-Cola stock in their portfolios, then it is also true that these investors unexpectedly paid a heavy price internationally due to the DCI. However, when the stock market reacts negatively to a company’s stock, the employees, who tend to be owners of a large portion of stocks as part of their compensation packages, including the perpetrator of the discriminatory act, suffer most. This is why the DCI creates a ripple effect not only for the corporation but also for the entire market.

All potential cost scenario measurements of the DCI are not included, like the opportunity costs, but the items discussed above provide a sense of the importance of understanding diversity and inclusion within corporations. This mathematical approach is an effective way to help inform staff of the reasons that acting on boorish impulses can be devastating to the comparative and competitive advantages of a company. Quite simply, discrimination hurts the bottom line and for Coca-Cola it starts with the settlement figure of $156m. Everyone involved with a corporation under these circumstances pays a heavy price, so it is best to refrain from bias and discrimination against anyone.

The question is how does a corporation adjust the DCI and amend its bottom line? The costs should be explained to employees and an investment in the ‘corporate moral aptitude’ (CMA) should be made.

In this case, just by looking at the lawsuit against the corporation, it would be easy to label management and the ethics of the company as generally lacking. However, if Coca-Cola's history is investigated, a remarkable story emerges that is a testament to Coca-Cola's CMA.

In 1964, Dr Martin Luther King won the Nobel Peace Prize, and a homecoming dinner was organised to celebrate this incredible achievement. To everyone's surprise, the racist elite of Atlanta refused to buy a single ticket to the dinner. Coca-Cola was the only corporation that came to the rescue when the CEO, J. Paul Austin, intervened. Why did he intervene? He had just completed a stint in Apartheid South Africa where he witnessed the government and corporate community repress an entire people due to their skin colour, and this experience clearly made an indelible impression on Mr Austin. When he returned to the US, he witnessed the same evil in the myopic behaviour of the white elites of Atlanta. Consequently, he summarised Coca-Cola's CMA in a statement when he emphatically stated that "Coca-Cola cannot stay in a city that's going to have this kind of reaction and not honor a Nobel Peace Prize winner". In other words, he let everyone know that Coca-Cola was prepared to leave the city of Atlanta if it did not have the moral fortitude to honour its own son. That evening, every ticket to the dinner was sold, and the dinner was a success.

The ethical implications of the CEO of Coca-Cola's actions are that a corporation can actually have a moral compass that guides the marketplace of ideas into a humbling position of decency, without concerns focused on profits alone. Corporations need a just society around them so that everyone in that society can participate in the marketplace as a consumer. Free people are good for business. Repression of any kind is in direct antithesis to market forces of profit, especially honest profiteering.

Thus, when a corporation communicates its moral aptitude to its employees through moral decision making, it can create a CMA culture, which then becomes the norm, rather than the exception. Emphatic communication of the CMA prevents a negative DCI. Therefore, corporations must begin to explain the noble function of diversity and inclusion by employing these two terminologies on a global scale. The problem is usually not caused by the corporation itself, but by the employees of the entity who discriminate against others.