3RD ANNUAL INSURANCE DIVERSITY SUMMIT:

Diversity is a Source of Competitive Advantage.

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Center for Multicultural Science

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WHY IS DIVERSITY IMPORTANT

1 - The business world has become more global.

2 - Homogeneous hierarchy has given away to diverse teams.*

3 - Businesses spend billions in managing diversity.

* E. Mannix and M. Neale (2006), What Differences Make a Difference? Psychology in the Public Interest
U.S. IS A MULTICULTURAL NATION

Point at which the “Minority” Becomes Majority - Nationally

- Whites
- Hispanics
- Blacks
- Asians

Census, 2010

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63% OF CALIFORNIA IS MULTICULTURAL

2013 Pop % Across Cultural Groups - U.S. vs California

<table>
<thead>
<tr>
<th>Cultural Group</th>
<th>U.S.</th>
<th>CA</th>
</tr>
</thead>
<tbody>
<tr>
<td>White (Non-Hispanic)</td>
<td>63%</td>
<td>39%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>17%</td>
<td>38%</td>
</tr>
<tr>
<td>Asian</td>
<td>5%</td>
<td>14%</td>
</tr>
<tr>
<td>Black</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>Two or More Races</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Am Indian</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Pac Islander</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>

http://quickfacts.census.gov/qfd/states/06000.html

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DEMOGRAPHIC “TIPPING POINT” HAS ARRIVED IN MANY CALIFORNIA CITIES

<table>
<thead>
<tr>
<th>City</th>
<th>Total</th>
<th>Multicultural</th>
<th>Hispanic</th>
<th>Black</th>
<th>Asian</th>
<th>Al</th>
<th>Pac Isl</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>12,829</td>
<td>67%</td>
<td>44%</td>
<td>7%</td>
<td>15%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>4,335</td>
<td>60%</td>
<td>22%</td>
<td>8%</td>
<td>23%</td>
<td>1%</td>
<td>6%</td>
</tr>
<tr>
<td>Riverside</td>
<td>4,225</td>
<td>62%</td>
<td>47%</td>
<td>8%</td>
<td>6%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>San Diego</td>
<td>3,095</td>
<td>49%</td>
<td>32%</td>
<td>5%</td>
<td>11%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Sacramento</td>
<td>2,149</td>
<td>40%</td>
<td>20%</td>
<td>7%</td>
<td>12%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>San Jose</td>
<td>1,837</td>
<td>53%</td>
<td>17%</td>
<td>3%</td>
<td>31%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Fresno</td>
<td>930</td>
<td>67%</td>
<td>50%</td>
<td>5%</td>
<td>10%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Bakersfield</td>
<td>840</td>
<td>61%</td>
<td>49%</td>
<td>6%</td>
<td>4%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Oxnard-Ventura</td>
<td>823</td>
<td>50%</td>
<td>40%</td>
<td>2%</td>
<td>7%</td>
<td>1%</td>
<td>0%</td>
</tr>
</tbody>
</table>

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Census, 2010
MULTICULTURAL POPULATION RESPONSIBLE FOR $600B+ IN PURCHASING POWER IN CA

Growth Rate
2000 vs 2010

2010
207% 186% 47% 234%

2013
$230b $304b $77b $18b $629 billion

2018
$295b $385b $90b $23b

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Selig Center, 2013
DIVERSITY FRAMEWORK

Alignment (#1)

Demography

Organization

Diversity as a Strategy (#2)

Structure  People  Process  Value $
“We are strengthened by working with a diverse supplier base, which can help us better understand and address our consumers’ needs. And we know when our suppliers succeed, we succeed.”

John Bryant, President & CEO
The Kellogg Company
Cognitive Diversity = Perceive, think and act differently

Problem solving ability is improved

Identity diversity must be linked to cognitive diversity

Source: “Page, Scott E., “The Difference”
ADAPTIVE ORGANIZATIONS

Organizations that are successful in leveraging the diversity of their people are better able to adapt to changes in the external environment.

<table>
<thead>
<tr>
<th>Success Indicators</th>
<th>Adaptive Culture</th>
<th>Non-Adaptive Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in revenues</td>
<td>682%</td>
<td>166%</td>
</tr>
<tr>
<td>Expanded workforce (growth)</td>
<td>282%</td>
<td>36%</td>
</tr>
<tr>
<td>Increased stock price/market valuation</td>
<td>90%</td>
<td>74%</td>
</tr>
<tr>
<td>Improved net-incomes</td>
<td>756%</td>
<td>1%</td>
</tr>
</tbody>
</table>

TAKE AWAY #1:

“I skate to where the puck is going to be, not where it has been.”

Wayne Gretzky

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THINK DIFFERENTLY.
Embrace intra-organizational diversity to drive performance at every level.
TAKE AWAY #3:

Courage is Leadership
Leverage Organizational Diversity.
It’s a Business Imperative in the 21st century.
THANK YOU

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