

DIVERSITY IN BUSINESS

What it is. Why it's useful. How it works.

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DIVERSITY MEANS GOOD MANAGEMENT OF PEOPLE

Diversity is about intelligent management of people — *all* people. Diversity is about encouraging and enabling all employees to draw fully on their talents and skills for the benefit of the business.

Diversity is an approach to business that . . .

1. regards human differences in the workplace as contributing to the success of the business, and
2. optimizes the willingness and ability of *all* employees to contribute to that success.

Imagine that you own or manage a mining company. You have access to the ores of copper, silver, nickel, and lead in one territory. Your equipment is capable of extracting and processing all of them at a profit. Would you mine two of those ores and leave the other two buried in the ground? Would you dig up all four but only partially process two of them, allowing much of their mineral content to go to waste? Not likely. You would mine and fully process all four, getting the maximum possible profit from all these mineral resources. Why would someone deal with *human* resources any differently?

The willingness and ability to make optimal use of ALL human resources is at the core of diversity.

DIVERSITY REFLECTS WORLDWIDE DEMOGRAPHIC TRENDS

Worldwide demographic trends have an impact on businesses. Current trends tell us that. . .¹

1. Workforce growth in industrialized nations such as the U.S. is very low, while workforce growth in developing nations is quite high. This means (1) that some of the excess workers in developing nations will migrate to industrialized nations such as the U.S., and (2) that markets for goods and services will continue to burgeon throughout the developing regions.
2. Here in the United States, the demand for well educated "knowledge workers" is high. . .and is getting ever higher due to sweeping technological advances in many fields.
3. In worldwide terms, the proportion of U.S. high school and college graduates is dropping while that of developing nations is rising rapidly. By the year 2000, three-fifth of the world's college students will be from developing nations. A related trend is that the academic *performance* of American high school students is declining relative to that of youth abroad.

¹ W.B. Johnson, "Global Workforce 2000," *Harvard Business Review*, March-April 1991.

4. If we look at trends within the U.S., we see that native whites have a low birthrate while minorities and immigrants have a high birthrate. Consequently, by 2005 native white males (both well and poorly educated) will make up only 38% of the American workforce, not the current 42.5%.²

The global picture shows that workers, many of them well educated, will be migrating from developing nations to the United States. This trend as well as the birthrate differences within the U.S. and the academic shortcomings of many American youth all point in one direction: U.S. business owners and managers can be assured that the pool of *well educated* workers who are vital to the success of their businesses will be comprised increasingly of people who are not native white males.

Business owners and managers who learn to make the most of human diversity in the workplace *now* will be more competitive in the long run than others in their industry.

DIVERSITY IS DIFFERENT FROM AFFIRMATIVE ACTION

Diversity is not the same thing as Affirmative Action, though it addresses similar social concerns and has been nurtured by many of the same advocates. Diversity is different in two significant ways.

First, Affirmative Action sprang into being because of ethical considerations grounded in a vision of the "level playing field." Attaining EO/AA goals has required legislation and litigation. In contrast, diversity arises from an informed awareness of factors contributing to productivity from the mailroom to the boardroom. Diversity is *not* mandated. It requires no help from legislators and lawyers.

Second, Affirmative Action compels employers to identify and count people on the basis of gender and heredity: Asian male, white female, etc. Granted, there may be a reason for doing things that way. But this is a narrow approach to the richly textured variety of human beings! Diversity avoids this narrow view. The manager or owner committed to diversity says, "People differ in dozens of ways, and in their differences lie a wide variety of talents and perspectives. The broader the range of talents and the wider the sweep of perspectives among my employees, the better the opportunity for this business to succeed."

The goal of diversity is not to count people but to benefit from the best mix of people. The goal of diversity is to attract people with an array of talents, experiences, and perspectives, and then to empower them to give everything they've got in order to attain business objectives.

DIVERSITY BENEFITS WORKING GROUPS

In our experience, many managers and executives are reluctant to accept that having an array of talents, experiences, and perspectives is beneficial. . . and the evidence exists. From research conducted over 40 years, a picture gradually emerges that supports the belief that heterogeneity confers important benefits on working groups.

² Personal communication from H. Fullerton, Labor Force Projections Unit, Bureau of Labor Statistics, Washington, DC.

As early as 1956, a study showed that medical scientists performed especially well when they maintained on-going work relationships with colleagues having a wide assortment of values, experiences, and disciplines. In fact, this study found that constant close association with colleagues *similar* to themselves *decreased* the performance of these professionals.³

A 1961 study reported that mixed-gender groups consistently produced better quality solutions than did all-male groups. The statistically significant findings included the fact that no all-male group ever scored higher than a mixed-gender group. "In heterogeneous groups," said the researchers, "conflict resulting from opposing viewpoints may have caused more complete or inventive solutions to emerge. The greater the differences in perceptions among group members, the higher the quality of their problem solving."⁴

The level of analysis is higher in groups subjected to minority views than in those that are not. The presence of minority views improves the quality of the decision process regardless of whether the minority views ultimately prevail. The process is improved because. . .

1. a larger number of alternatives is considered, and
2. there is a more thorough examination of assumptions and the implications of alternative scenarios.

C.J. Nemeth, "Dissent, Group Process, and Creativity,"
Advances in Group Process, Vol. 2, 1985

A 1984 literature review summarized previous studies of how organizational performance is affected by the backgrounds of top managers. The reviewers concluded: "Routine problem-solving is best handled by a homogeneous group. Ill-defined, novel problem-solving is best handled by a heterogeneous group in which diversity of opinion, knowledge, and background allows a thorough airing of alternatives."⁵

In 1992, a study of group creativity pitted 19 groups that included Americans of Anglo, Asian, African, and Hispanic descent against 16 groups that were 100% Anglo. Ideas produced by the ethnically diverse groups were independently judged to be more effective and more feasible than ideas produced by the all-Anglo groups. These findings were statistically significant.⁶

An intriguing study on the impact of diversity on problem-solving was published in 1993. Groups were formed consisting of an Anglo, a Black, an Hispanic American and a foreign national. These were compared with all-Anglo groups of four on a problem-solving task involving a series of structured case studies. During the early weeks of this 17-week study, the all-Anglo groups scored higher on

³ D. Pelz, "Some Social Factors Related to Performance in a Research Organization," *Administrative Science Quarterly*, Vol. 1, 1956.

⁴ L. Hoffman & N. Maier, "Quality and Acceptance of Problem Solutions by Members of Homogeneous and Heterogeneous Groups," *Journal of Abnormal and Social Psychology*, Vol. 62, 1961.

⁵ D. Hambrick & P. Mason, "Upper Echelons: The Organization as a Reflection of Top Managers," *Academy of Management Review*, Vol. 9, 1984.

⁶ P. McLeod & S. Lobel, "Effects of Ethnic Diversity on Idea Generation in Small Groups," paper presented at the annual meeting of the Academy of Management, 1992.

performance measures. But the diverse groups rapidly caught up with the all-Anglo ones. By the 17th week, the diverse groups had surpassed the all-Anglo ones on (1) identifying possible perspectives on problems and (2) generating solution alternatives.⁷

If you were going to list factors that contribute to success in business, you would include several items that are quantifiable, such as "adequate capitalization," and several that are not quantifiable, such as "flexibility in response to changing market conditions." To succeed in today's turbulent marketplace, an organization requires assets that cannot be counted as well as assets that can. Deliberately positioning human differences throughout an organization is one way of gaining nonquantifiable advantages such as innovativeness and effectiveness. This is a key element in the business case for diversity.

DIVERSITY BENEFITS BUSINESSES IN OTHER WAYS

An organization in which well managed human diversity is woven throughout all functions and levels is better able to meet the major business challenge of the 21st century — the need for adaptability. Organizational adaptability is necessary for success in a business environment characterized by the proliferation of markets across a wide spectrum of national, cultural, and ethnic boundaries in the U.S. and abroad, and by increasing competition everywhere.

How to improve adaptability? One possibility is to include among a business's influential employees people who are both committed to the success of the enterprise and who embody, personally, the human diversity present in the national and global business environment. Then, unleash them! Allow and encourage them to be innovative in tracking and creating trends and new solutions, and to be rapidly responsive in today's constantly shifting business climate.

Decision makers, via their pattern of attention and inattention, intervene between a company and its environment. And this, of course, means that a company with a diverse group at the top — more fields and functions represented, more diversity in sex, race, and culture — is more likely to pick up on more external cues.

Rosabeth Moss Kantor, *The Change Masters*, 1983

Whether one's objective is to operate across the United States and around the world, to gain market share among potential customers and clients, to coax more effective service from suppliers and distributors, or to improve productivity and reduce turnover among employees, a good path to adaptability is to have on board a wide variety of people in positions where they can make a difference.

"To adapt successfully to its external environment, a system must incorporate all the variety found in that environment."⁸

⁷ W. Watson et al., "Cultural Diversity's Impact on Process and Performance," *Academy of Management Journal*, Vol. 36, 1993.

⁸ G. Morgan, "Endangered Species: New Ideas," *Business Month*, Vol. 133 (1989).

DIVERSITY BRINGS CHALLENGES, TOO

Given these benefits of diversity, why aren't managers and executives falling all over themselves to spread human differences throughout their organizations? The answer, of course, is that differences can lead to difficulties. Although we Americans talk approvingly of "progress" almost every day, the indispensable ingredient of progress — change — is often resisted. In this case, the difficulty with change is that it requires not only sharing daily work with people unlike ourselves, but also sharing the financial and other rewards of work with people unlike ourselves. For some Americans, that's too much change.

Outright resistance to change is not the only challenge. Another challenge for many businesspeople is that the reality of working effectively with people unlike themselves proves far more difficult than they envisioned. This is often true despite the best of intentions and despite clear-headed recognition that diversity is increasing exponentially throughout our society as well as in our places of work.

There's a third challenge, too. It's the very significant one encountered by those who, merely by their presence, are making the workplace more diverse. They are pioneers in difficult terrain. They are trying to fit into an organization where the norms and expectations require major personal adjustments. They are trying to get along, and to get ahead, in a situation where the fruits of their labors or leadership are sometimes attributed to luck or Affirmative Action instead of to talent, training, and tenacity.

I have problems with that term ["racism"] because it glosses over the more subtle issues of how cultural groups interface with institutions that operate according to implicit cultural assumptions. Nobody has to personally discriminate. It's simply that if work has to be done a certain way, it's based on certain cultural assumptions of how the work gets done, how one writes up a proposal, for example. There are certain procedures, certain cultural ways of putting together a proposal. If you think in a Western linear fashion, you go a-b-c. This is the way I make an effective argument. When you're from another background, the arguments get made in a different way, following a different kind of logic. That's real subtle.

G.P.S. Khoo (1988), as quoted in Taylor Cox, Jr., *Cultural Diversity in Organizations: Theory, Research & Practice*, 1993

Group heterogeneity might be capable of improving outcomes in the mailroom, the boardroom, and at every level inbetween. But merely putting diverse people together doesn't automatically yield better results. Common sense suggests, and research confirms, that in order to produce superior performance within heterogeneous groups, members need to have advance awareness of the ways in which they are different from and similar to the other members and how this may impact their work.⁹ Accomplishing this is a key goal of diversity training.

Diversity training also attempts to help people overcome their stereotypes and prejudices about people unlike themselves. A phrase often associated with such training is "valuing differences." This means that participants are encouraged to view the range of human differences as having positive value, not only

⁹ H.C. Triandis et al., "Member Heterogeneity and Dyadic Creativity," *Human Relations*, Vol. 18, 1965.

in the workplace but also in other aspects of daily life. The ultimate goal of diversity training for employees, managers, and executives is the creation of a workplace "culture of inclusion." A culture of inclusion is one in which employees adjust flexibly to people with different characteristics and backgrounds, making it easier for the latter to develop productive, satisfying work relationships.

Diversity advocates often debate this question: Is it more effective to try to change people's *attitudes* (through training), hoping that their actual daily behavior will gradually change as a result? Or is it more effective to try to change their *behavior* (through company incentives and policies), hoping that their attitudes will gradually change as a result? Informed people can be found on both sides of this issue. Virtually all would agree, however, that training alone is not enough.

DIVERSITY GOES BEYOND TRAINING: THE VELCRO FACTOR

Optimizing the willingness and ability of all employees to contribute to the company's success is no small feat. Achieving this elusive goal requires more than the reduction of stereotypes and prejudices and more than superficial acknowledgement of the value of differences. To be *and remain* effective, training needs what we call "the velcro factor" to make it stick.

The velcro factor is supplied by a modification of the climate of the organization, an adjustment to its culture. Creating a "culture of inclusion" means creating a work environment in which there is comparatively *little* pressure on anyone to conform to a single system of norms and values. What does such a culture look like?

- Differing behaviors and work styles are acceptable so long as integrity and quality are preserved.
- Members are slow to express criticism; they evaluate ideas only after they are fully understood.
- Taking calculated risks is tolerated; failure, within limits, is viewed as a learning opportunity.
- Leaders reward deviations from performance norms that lead to positive contributions.
- Within the constraints of safety and ethics, individuals create their own approaches to work.¹⁰

THE IMPORTANCE OF LEADERSHIP DIVERSITY

Establishing an organizational climate that is inclusive, open, and flexible is a large and complex undertaking. Of the multiple possible approaches to achieving such a climate, one appears indispensable: increasing the proportion of people with different backgrounds and characteristics at the middle and upper levels of the hierarchy. Attaining this goal will require years of patient effort. By the time this goal is realized, however, all the other subsidiary goals will have fallen into place along the way.

Based on extensive research within 16 business organizations, Ann M. Morrison concluded that, of all

¹⁰ Taylor Cox, Jr., *Cultural Diversity in Organizations: Theory, Research & Practice*, 1993. Cox refers to a culture with these characteristics as a "low-prescription culture." See pp. 169-170.

the conceivable pathways to the benefits of diversity, none is more productive than gradually diversifying the leadership of an organization.

Leadership diversity is the key to overall diversity. Significant short- and long-term effects come from moving non-traditional managers into key, visible, high-level posts. They are concrete success stories of advancement. They are personal examples for their peers and colleagues, helping to break down stereotypes. Their symbolic value often has the immediate effect of shaping the perception of other managers and employees. And they often act as mentors for other non-traditional managers.

Ann M. Morrison, *The New Leaders: Guidelines on Leadership Diversity in America*, 1992.

The objective of leadership diversity is not merely quantitative, to be able to count whatever number of non-traditional managers in the executive suite. The goal is qualitative — to profit from the richness of talents and perspectives that can only come from having a wide assortment of people in decision-making roles. This, in turn, means that non-traditional employees cannot be expected to abandon their unique personal and cultural traits as the price of rising within the organization. The best and brightest among them won't put up with this anymore. They'll find their way to a firm — possibly a competitor — that wants them on their own terms.

TOWARDS LEADERSHIP DIVERSITY AND A CULTURE OF INCLUSION

With these critical goals clearly in view, we can direct our attention to steps toward attaining them.

Step one is a diversity audit (or culture audit), an in-depth organizational assessment procedure. Don't allow "audit" to create a mental image limited to counting. During a diversity audit, the principal assessment method is interviews with individuals and focus groups. Most interviewees are employees, but some are suppliers, distributors, customers, and others on the outside who have extensive dealings with the firm. Other assessment methods are used, too. Audits are best carried out by external consultants (who bring necessary objectivity) in collaboration with inside line and HR managers (who bring access to key players as well as in-depth understanding of the firm's unique circumstances).

A diversity audit provides a richly detailed portrait of the organization focused on (1) employee attitudes and beliefs, (2) management practices and policies, and (3) the organizational culture. That portrait becomes the basis for a multifaceted, long-term plan to improve the company's management of its diverse workforce. Rather than list below all options for such a plan, we offer as an actual example what we recommended (based on our audit) to the largest business unit of a FORTUNE 100 firm.

- Establish a mentoring program: Mentoring provides a means whereby employees who are interested in advancing but remain "outside the loop" can learn the subtle aspects of rising through the ranks while gaining visibility among top management. We proposed a mentoring program specifically oriented towards promoting human diversity in the upper ranks of management.

- Treat direct reports as "customers": The client's performance management process expected all employees to set, and later evaluate, their annual performance objectives with input from their customers. The objective was to compel employees to pay careful attention to their customers' sensitivities and expectations. We suggested that managers treat their direct reports as the "customers" for their (the managers') people-management skills such as support and motivation. This compels the managers to pay careful attention to their direct reports' sensitivities and expectations, which are conditioned by their (the direct reports') backgrounds and characteristics.
- Amplify coaching skills training with a diversity module: The unit's performance management training included a unit on coaching skills, but it lacked training in skills for coaching people with different backgrounds and characteristics. We recommended adding this to the existing package.

Ernest H. Drew, CEO of Hoechst Celanese, was attending a conference for Hoechst's top officials, mostly white men, who were joined by lower-level women and minorities for problem-solving team exercises. Some teams were mixed by ethnicity and sex, others were all white male.

When the teams presented their findings, a light clicked on for Drew. "It was so obvious that the diverse teams had the broader solutions," he recalls. "They had ideas I hadn't even thought of. For the first time, we realized that diversity is a strength as it relates to problem solving. We knew we needed diversity at every level where decisions are made."

"How to Make Diversity Pay," *Fortune*, August 8, 1994

- Create an exemplary manager showcase program: Our audit revealed that there were some managers, at various levels, who were exemplary in their day-to-day management of people of every type. We suggested that these "unsung diversity heroes" be held up publicly as examples.
- Establish a career resource task force: We discovered that some employees believed they could never make beneficial career moves *within* the unit. This discouraged them from making their best effort on behalf of the unit. We recommended a broad-based task force to address this concern.
- Diversify ways of recognizing good performance: We found untapped resources among those employees for whom advancement was not a primary goal. They still wanted to contribute their best but rarely did so because their good work went unrecognized. We suggested renewed attention to the many ways of recognizing outstanding performance — ways our audit discovered to be set forth in a little used piece of the unit's own training literature!
- Identify internal advisors for decision-makers: Employee support groups organized along ethnic, gender, and other lines already existed. Members of these groups were eager to strengthen the ability of senior managers to make well-informed decisions about marketing & sales, recruitment, etc., among their constituency. We suggested mechanisms for making this happen.

None of these pathways to the benefits of diversity required a heavy financial commitment. But few diversity initiatives survive unless there is genuine *personal* commitment in the executive suite.

DIVERSITY AND WHITE MALE BACKLASH

Media reports have highlighted the anger of some white males against Affirmative Action, which they blame for reducing their career opportunities. This blame is extended to diversity, which often is confused with Affirmative Action (see page 2). "White male backlash" is one of the greatest challenges faced by diversity advocates.

No one has a magic bullet for avoiding this backlash. We can, however, offer some suggestions for at least defusing it and promoting a culture of inclusion. . .that includes white males.

- One target of white male anger is quotas and the related suspicion that some people obtain jobs or promotions for which they are not fully qualified. Unlike Affirmative Action, though, diversity is not about counting people. Diversity is about productivity, team effectiveness, and innovation. Diversity puts people into positions precisely because they have qualities that benefit the firm.
- A practice that fuels white males' perception that they are victims of discrimination is when diversity programs are offered for specific categories of employees — but not for white males. But why deny to any group a program intended to make the firm more competitive? The firm benefits most when *everyone* is given access to the same developmental opportunities.

Many so-called "minority problems" are actually problems in how people in general are managed in organizations. A frequent revelation in the organizations we studied was that practices installed originally for the benefit of non-traditional managers turned out to be good practices for people in general, and they were often extended to all managers.

Ann M. Morrison, *The New Leaders: Guidelines on Leadership Diversity in America*, 1992

- Those who have looked at backlash dispassionately usually find that the degree to which white males are denied beneficial career moves is significantly less than the males believe. A diversity audit sometimes provides data that help demonstrate that white males continue to be rewarded and advanced at a rate that compares favorably with the rate for any other demographic group.
- A goal of diversity is to dissolve the we-versus-they mentality that pits some employees against others. One useful practice is to include white males in every step of the decision-making process about diversity initiatives. Diversity's basic objective is to improve the firm's competitiveness, something that benefits white males along with everyone else and that can be contributed to by all.

DIVERSITY IN BUSINESS: HIGHLIGHTS

1. Diversity optimizes the willingness and ability of *all* employees to contribute to business success.
2. Demographic trends indicate a workplace of the future comprising ever more human differences.

"Diversity in Business: What it is. Why it's useful. How it works." Page 10 of 10.

3. Diversity differs from Affirmative Action in its emphasis on qualitative, not quantitative, goals.
4. Research shows that heterogeneity contributes to productivity and innovation in working groups.
5. Diversity training reduces stereotyping, prejudice, and cross-cultural misunderstandings.

We are not doing this because it makes us feel good — although it does. We are not doing this because it is politically correct. We are doing this because we believe in the interconnection between liberating the talents of our people and business success.

Robert D. Haas, CEO of Levi Strauss & Co., as reported in "Managing by Values," *Business Week*, August 1, 1994

6. A "culture of inclusion" requires institutional openness to diverse styles, ideas, and perspectives.
7. Diversifying a firm's leadership is indispensable for attaining the long-term benefits of diversity.
8. A diversity audit is an excellent first step in planning organizational change to support diversity.
9. White male backlash is a significant challenge to diversity. White males cannot be ignored.
10. Adaptability is vital in this era of business globalization. Diversity enhances adaptability.

RECOMMENDED READING

From among literally dozens of books on organizational diversity, we recommend these two:

Ann M. Morrison, *The New Leaders: Guidelines on Leadership Diversity in America*. Jossey-Bass, 1992. Morrison reports on extensive research carried out in 16 American organizations. Her book is full of insights regarding ways to insure that a firm's senior leadership eventually becomes diversified.

Taylor Cox, Jr., *Cultural Diversity in Organizations: Theory, Research & Practice*. Berrett-Koehler, 1994. Cox's work is academic in tone, but it is practical as well as comprehensive. Careful study will repay the reader with numerous ideas for bringing the benefits of diversity to his or her firm.

ABOUT THE AUTHORS OF THIS WHITE PAPER

Cornelius Grove and Willa Hallowell, partners of CORNELIUS GROVE & ASSOCIATES, prepared this white paper. Dr. Grove and Ms. Hallowell believe that those businesspeople who will prove most successful in the 21st century are those who develop the cross-cultural competence to function effectively in a multicultural world: globally, nationally, and locally. CGA's mission is to help managers and professionals gain the mindsets and skills of cross-cultural competence. Tel 718-492-1896. Fax 718-492-4005.