

# The Business Case for Diversity

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## **Abstract**

Workforce diversity has an increasing impact on the bottom line of organisations worldwide. Throughout the English speaking world, companies are engaged in proactive processes to improve their management of diversity. Australian companies, which draw their employees from one of the world's most diverse workforces, are now beginning to recognise the importance of effectively managing that diversity. This article highlights the business case for diversity, and outlines the necessary steps organisations must adopt to succeed in this area: understanding the benefits of managing diversity, and the penalties of not doing so; defining diversity for the operating culture and organisation; identifying the local, regional and global forces that influence diversity management; understanding diversity in terms of organisational dynamics and behaviour; developing essential diversity management skills and competencies; implementing the necessary practical steps in a diversity-focused organisation development process; and utilising practical and appropriate measurement and accountability systems

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As you read this sentence, human diversity is having an impact the bottom line of your business. Whether that impact is positive or negative depends on how well you understand and manage that diversity.

In all the factors that influence your bottom line success, whether strategic, structural, or environmental, there is one common denominator -- people. People make profits, develop and implement strategies and structures, and create and maintain the economic and social environments in which business operates. Without people, there are no organisations, no managers -- there is no business, and no success. Yet in employee opinion surveys across company after company, managers and executives are rated negatively by their employees in the area of people management skills. Learning the art and science of managing diversity -- that is, the recognition and effective management of each employee according to their unique attributes, background, and perspective -- helps managers to do far more than improve people management scores on employee opinion surveys. By getting your already diverse workforce working together more effectively, you make a more effective contribution to the financial health of your organisation.

As John Fernandez points out in his book, *Managing A Diverse Workforce*, the denial of people management problems "creates an atmosphere that has led to the inefficient utilisation of large numbers of employees, especially those who are different in terms of race, gender, age, religion, lifestyle and appearance and has therefore lead to the inefficient functioning of the corporation with a resulting negative impact on the corporate bottom line."<sup>i</sup> Conversely, addressing and acknowledging these issues leads to a more efficient utilisation of all employees and therefore more efficient functioning of the organisation with a resulting positive impact on the bottom line.

Recent studies in North America have demonstrated strong correlation between good diversity practices and the bottom line.<sup>ii</sup> On the other hand, poor management of diversity is associated with negative bottom line impacts, including increased turnover and absenteeism. One recent study undertaken at the University of Melbourne, documents the total costs associated with the exit of

high performing women at management level within a large professional services business. The total costs associated with the separation, replacement and the training of these new employees approximate \$75,000 per employee.<sup>iii</sup> Other studies suggest that the cost of turnover is anywhere from 95%-250% of an employee's salary.

Conversely, there are many cited benefits of managing diversity successfully, including:

- increased productivity,
- better or more successful globalisation efforts,
- the ability to attract and retain superior employees,
- better innovation and change management,
- improved customer service and
- increased ability to negotiate successfully.<sup>iv</sup>

In a recent article in the *Academy of Management Executive*, Robinson and Dechant cite the top business reasons for diversity programs cited by human resource executives from 15 Fortune 100 companies. The top five reasons were:

- |   |                  |
|---|------------------|
| - Better utilisation of talent                              | 93%              |
| - Increased marketplace understanding                       | 80%              |
| - Enhanced breadth of understanding in leadership positions | 60%              |
| - Enhanced creativity                                       | 53%              |
| - Increased quality of team problem solving                 | 40% <sup>v</sup> |

There are also significant, researched based, demonstrable advantages of group diversity, in that diverse groups come up with more creative, more innovative and importantly, more feasible and more effective solutions. A diverse group therefore generates a wider variety of perspectives and provides more possible solutions to business problems.<sup>vi</sup>

Additional rationale for involvement in diversity work is related to management competencies for creating an effective and productive organisation. Successful managers today must deal with increasing issues of diversity in the work force, including ethnicity, culture, gender, race, age, functional diversity, personality, thinking styles and other issues of difference. They must also be able to skilfully intervene in complex organisational conditions that block productivity; this requires the skills and knowledge necessary to implement best practice people management in their organisations. Given that successful organisations worldwide are using the benefits of diversity to improve innovation, customer service, productivity, globalisation, motivation and teamwork, today's managers must know how to develop the full potential of their people by exploring the dynamics of difference.

For all of these reasons, it is important to manage diversity effectively. To do it well, you must first define what diversity means for your organisation. You must then examine both the organisational environment and the wider business environment for diversity issues, and finally, ascertain the level of diversity management skills and competencies existent in your organisation. Once these analyses have been performed you can implement practical steps to improve the overall diversity situation in your organisation. We will now look at each of these steps in more detail.

## **Diversity Defined**

Diversity is defined simply, as the quality of being different and unique at an individual or group level. Valuing diversity is recognising and respecting the value of these human differences. Managing diversity means creating and sustaining an environment where everyone can achieve their full potential.<sup>vii</sup> A more complex and more specific definition of diversity is found in *Figure 1*. Here, fundamental differences of personality are overlayed with three additional layers of dimensions of diversity. These dimensions are also sometimes referred to as identity groups.

The first layer of these identity groups consists of characteristics with which we are born and over which we have no control, including our race, our age, our gender, and our ethnicity. The second layer includes characteristics which we acquire during the course of our lifetime and which are subject to change -- dimensions such as parental status, work experience, religion, and personal habits. The final layer of identity groups, the organisational dimensions, incorporates those specific aspects of an individual's work life, including management status, work location, functional level, and divisional or departmental group. Each employee of an organisation is the sum total of a unique combination of these dimensions. To see diversity in terms of only one of these dimensions, such as gender -- or even in terms of one layer -- is an oversimplification. Understanding and responding to the dynamic interplay of these dimensions is the essential skill of managing diversity.

Many of the popular conceptions of diversity work focus on the first layer of dimensions -- that is visible differences. As Thomas and Ely note in the *Harvard Business Review*,<sup>viii</sup> most people assume that workplace diversity is about increasing racial, national, gender or class representation - - in other words, recruiting and retaining more people from traditionally under-represented identity groups. However, they go on to suggest that diversity should be understood as the varied perspectives and approaches to work that members of these different identity groups bring.

The diversity field in Australia has been unfortunately confused by the use of the term diversity in at least three separate contexts. The first equates diversity with EEO and affirmative action and sees the term as simply describing another stage in the development of gender issues work in Australian organisations. The narrowness of this definition unfortunately causes many people in the Australian corporate sector to equate diversity with compliance to EEO and affirmative action legislation, and therefore sideline the issue, as being peripheral to core business.

The second use of the word diversity is in the realm of cultural diversity. Despite the efforts of successive Commonwealth governments to promote the concept of "Productive Diversity" as a way for businesses to understand the positive benefits of multiculturalism, this issue too has failed to capture the imagination of Australian business, and falls short of encompassing the full range of diversity dimensions which affect business.

The third way in which diversity can be defined and the one which has the most potential to have a positive impact for Australian business, is the broad definition recommended in this article. Using it, organisational leaders can recognise that the workforce in Australia and therefore in their organisations, is diverse across many dimensions. They can also begin to see that these dimensions have a significant impact on peoples' ability to work together effectively and that managing this diversity well, can and does have a positive impact on the bottom line. It is this broader definition of diversity that has brought success to many organisations in other parts of the English speaking world, notably Great Britain, Canada, and the United States, where, most major corporations cite the need for comprehensive programs to improve the diversity dynamics in their organisations.<sup>ix</sup>

## **The Environment for Diversity in Australia and the Asia Pacific Region**

Australia's workforce is one of the most culturally and linguistically diverse in the world, certainly more so than that of the U.S., where the need for better management of diversity has been recognised for at least 25 years. Consider the following facts:

### **Ethnicity/Nationality**

- ◆ Australia has 18 million people - over 4 million (23%) were born overseas. 2.4 million (14%) were born in non-English speaking countries. (1995).
- ◆ 30% of the population of Melbourne was born overseas.

### **Language**

- ◆ Australians are from over 130 language backgrounds.
- ◆ 2.5 million Australians speak a language other than English at home.
- ◆ After English, the languages most widely spoken in the home are Italian, Greek, Cantonese and Arabic. The majority of people who speak these languages were born overseas. However 47% of people who speak Greek and 43% of people who speak Italian are Australian born.

### **Trade**

- ◆ 75% of Australian trade is with non-English speaking countries.

### **Gender**

- ◆ Women comprise 42% and men 58% of the workforce.
- ◆ By the year 2,000, 70% of women will be working and 59% of that group will have dependent children.

### **Marital Status**

- ◆ 68% of married women are now working.

### **Family/Work Responsibilities**

- ◆ Less than 20% of households comprise a husband as breadwinner, wife as a full time home maker, and two children.
- ◆ In 68% of families with employed mothers of children aged 11 and under, mothers use flexible work arrangements to care for children. In families with employed fathers, a quarter (25%) use such an arrangement.
- ◆ In 1993 there were 577,500 principal carers aged 15 years and over who cared for a person with a disability. They comprise 4.2% of the population over 15 years old.
- ◆ In 1993 a majority (84%) of the 219,000 employed principal carers of people with disabilities, continued to work their usual hours after taking on a caring role.

### **Part time Employment**

- ◆ Between 1966-1992 part time employment quadrupled.
- ◆ 43% of employed women worked part-time compared to 11% of employed men (1992).

### **Age**

- ◆ By the year 2001, one third of the population will be over 50.
- ◆ The population is getting older. In 1996 the population totals 18 million and the median age is 34. By 2041 it is estimated the population will total nearly 25 million with a median age of 42.

### **Disability**

- ◆ People with disabilities comprise 18% of the population and 14% live with a handicap (1993).
- ◆ Of all people with a disability aged 15-64 years living in a household, 46% were in the labour force and 79% of those were employed - nearly half a million people.

- ◆ Of the 2.7 million Australians aged 60 or more in 1993 (16% of the population - 51% had a disability, 43% had a handicap. They account for 44% of all people with a disability..<sup>x</sup>

Nonetheless, most of today's managers, especially at senior levels, are Anglo-Australian men who grew up with little exposure to people of other backgrounds and other races. The organisational cultures that these managers have established naturally reflect their values and experiences. That is, corporations have been set up and continue to be run primarily based on Anglo-Australian male perspectives. However, the brief look at the Australian workforce cited above, reveals that the typical Anglo-Australian male employee with a dependant wife and children, is in fact a minority in the population, albeit a minority in which most organisational power is concentrated.

Key factors that are having an impact on today's Australian workforce include:

- Globalisation and the need for the workforce to be able to deal effectively across lines of cultural difference.
- The impact of downsizing, which has a dramatic effect on the composition of the workforce. In other words, an organisation needs to understand if they are going to downsize, who stays and who goes and what is the composition of their target workforce.
- Political and social pressures, including the increasingly public debate about multiculturalism, immigration and racial and ethnic issues and tensions in Australian society, which has an impact on people both outside of work and within work.
- The ageing population, changing generational approaches to work and life, an increasing skills shortage and "war for talent"

These issues also have an impact in Australia's regional business environment. Research undertaken for the Karpin Report, found that Asian managers ranked Australian managers behind those of other competitor countries, in terms of their management skills.<sup>xi</sup> Australia's international reputation in the region as a result of the perceived racist foundations for immigration policy in general and detention centres in particular and puts additional pressure on Australian management to demonstrate their ability to work effectively across cultures, particularly with their Asian counterparts. At the same time, Australian businesses must acknowledge that some segments of the Australian community may feel threatened by the emerging, globally interdependent, economic and social structures of today. There is therefore a responsibility for business to take a leadership position on these issues -- that is, to educate the public that an attitude of Anglo cultural superiority is not only bad for business and bad for the Australian economy but also therefore bad for all Australians.

The global context for diversity is also significant to Australian businesses. With the rise of the global marketplace and the spread of multinational organisations, the impetus to work with diversity, has become increasingly international. Many North American organisations including the majority of Fortune 500 companies, have over the past several years devoted increasing resources and energy to diversity programs. These multinationals expect their affiliates worldwide, including those in Australia, to also devote time, energy and resources to diversity management programs.

The best of these organisations ask their local affiliates to determine for themselves what the most important dimensions of diversity are, what the important social issues are, and how these diversity and social issues impact on business. Experience in working with managers from across the Asia Pacific Region, demonstrates that leveraging diversity as a management strategy, is applicable in both western and non-western cultures. These managers were able to identify with diversity from a majority/minority group perspective and also found that looking at the intersection of demographics, power relationships and business outcomes, to be a useful framework. Of course, membership in majority or minority groups varied from country to country and from situation to

situation. However, by applying this framework to their cultures these managers were able to consider ways in which certain people in their organisations are valued more, or less, because of a non-work related characteristic. They were also able to consider the social and economic impact of peoples' being devalued and develop strategies for achieving more positive outcomes for their businesses.

Some corporations look to respond to their environment by creating targets for their workforce, so that their workforce will mirror the population in which they operate and their management will mirror their workforce. While this a useful and concrete goal, again it must be remembered that simply establishing a more diverse workforce, does not guarantee the benefits of diversity. Those benefits are only realised through the creation of an organisational environment where a broad range of abilities, talents and perspectives are valued, supported, appreciated and leveraged for good business performance.

## **Diversity in Organisations**

Taylor Cox Jnr. in his book *Cultural Diversity in Organisations*, discusses the impact of diversity dynamics or as he calls it, a diversity climate, on organisational effectiveness. Broadly defining "cultural diversity as an affiliation of people who collectively share certain norms, values or traditions that are different from those of other groups," he suggests that these group affiliation factors have a significant impact on both individual career outcomes and on organisational effectiveness. By planning and implementing organisational systems and practices to manage people, so that the potential advantages of diversity are maximised, while its potential disadvantages are minimised, says Cox, "Organisations can facilitate the achievement of their economic performance goals, as well as maintaining legal obligations and meeting moral, ethical and social responsibility goals".<sup>xii</sup>

A critical dynamic highlighted by Cox, is that of *majority and minority* group members. The majority group means not only the largest group, but also the group whose members have historically held advantages in power and economic resources, compared to minority group members. This definition is essential for understanding diversity dynamics in Australian organisations, where typically Anglo-Australian men, have held both the majority position in numbers and the majority position in terms of power and historical advantage. The impact of this historical advantage and power cannot be underestimated.

Traditional corporate and government organisations have historically been designed, developed and run by men. Typical Anglo-Australian male organisational cultures, like all others, are defined by a set of habits, behaviours and most importantly a set of assumptions that underlie the activities of the organisation. The effects of these assumptions on the members of the organisation and particularly on those who may not share those assumptions, tends to go unexamined. The effects of this can be counter-productive and costly, both in terms of current dollars and more importantly in terms of strategic competitive advantage. The dominant culture in most organisations is one of assimilation. If you come to the company you must fit the mould. Yet it is an individual's difference that informs his or her ability to contribute effectively, creatively and productively to the organisation. If the unique qualities of the individual are not recognised, affirmed and supported, that contribution will be minimised or lost.

Most managers and executives in Australian organisations live with what has been described by one North American chief executive, as the privilege of oblivion.<sup>xiii</sup> That is, the issues faced by minority groups such as women and different cultural groups, are so far outside of the experience of most Anglo-Australian men, that to be oblivious to those issues is natural and unconscious. For example, most women are able to identify things that they do each day to protect themselves from assault, while men would be hard pressed to come up with any such examples. People of non-Caucasian racial or ethnic backgrounds, frequently take time out every morning of their working lives to put on a mask - in order to fit in, they hide the cultural traits that make them different. Likewise, people of different personality types, or sexual orientations must work hard to adjust their

natural styles and behaviours in order to be accepted in organisations. The energy required to assimilate into the dominant organisational culture is energy wasted -- energy that could be used in the pursuit on the organisation's business goals, if the organisational culture were more accepting and more inclusive.

Managers must also recognise that diversity in and of itself is neither a good thing nor a bad thing. As Nancy Adler demonstrates in her book *International Dimensions of Organisational Behaviour*, there can be as many disadvantages as there are advantages to group diversity. Diversity can cause lack of cohesion, mis-communication, increased stress and groups therefore can become less efficient, less effective and less productive. However, diversity also permits increased creativity, a wider range of perspectives, better problem definition, more alternatives and better solutions. Thus diverse groups can become more effective and more productive.<sup>xiv</sup> So again, diversity is not valuable in and of itself. The value of diversity lies in how effectively it is managed and how well an organisational culture can support and leverage from the many benefits possible from a diverse workforce.

## **Diversity and Management Skills**

So what can managers do to achieve good business performance through diversity? Thomas and Ely suggest four kinds of action that leaders and managers can take to implement a successful paradigm shift to a culture that values and leverages from diversity. These four kinds of action are:

1. Making the mental connection. That is, actively seeking opportunities to explore how identity group differences effect the way work gets done and relationships among workers.
2. Legitimizing open discussion. That is, encouraging dialogue and conversation about how identity group memberships inform and influence both an employee's experience and an organisation's behaviour.(One of the best diversity questions is: "Can we talk about it?")
3. Actively working against forms of dominance and subordination that inhibit full contribution. This includes zero tolerance for obvious forms of dominance or power dynamics such as, racism, homophobia, sexism and sexual harassment, also awareness of the power dynamics in the organisation based on the presumed superiority and entitlement of some groups over others, for example functional areas or levels.
4. Making sure that organisational trust stays intact. That is ensuring that the organisation remains a safe place for employees to be themselves, including acknowledging the inevitable tensions that naturally arise as an organisation makes room for diversity and resolving these tensions sensitively and swiftly.<sup>xv</sup>

An effective way to make the mental connections is by understanding the mechanism of interpersonal assumptions. Understanding this mechanism has proved to be a key element in increasing practical awareness of diversity issues and enhancing individual management and employee skills in dealing with these issues. The process begins where the raw data of our experience is taken in through our senses. That is, our sensory impressions of the people around us - how they look, how they sound, how they act, how they behave. That sensory input is filtered through our own experience, our socialisation, our education and the environments in which we live and work. These filters cause us to make generalisations about certain identity groups.

As an example, imagine yourself in a group of managers hearing a presentation on diversity. One of the first things you notice is that the presenter has an American accent. That accent is the raw data that you perceive through your hearing. That perception is then filtered through your previous experience of Americans. Each person in the room will have a slightly different experience of background in relating to Americans, just as they would if the presenter were Chinese, Italian or

Aboriginal. These filters cause you to make assumptions -- in our example, assumptions based on the many things you “know” about Americans. These things that you “know” are in fact assumptions, based on your experience, your socialisation, your education, the environments in which you have lived and worked, in other words your mental filters.

These assumptions may be unexamined or examined - that is they may be unconscious or conscious. Most of our assumptions about people are unconscious, or unexamined. They are the things we simply “know” about Americans, Chinese, Italians, Aborigines, women, people with disabilities or any other identity group. That perceived reality based on our assumptions, based on our filters, is what drives our behaviour toward those people. Our behaviour then has consequences and those consequences come back to us in the form of raw data.

In a business interaction it can be useful to use this model in reverse. First, look at the consequences of an interaction with a business colleague, associate or customer. Are those consequences the ones that we desire? If so, fine. If not, we may need to examine our behaviour in that interaction. In order to change the behaviour, we may need to look at the assumptions on which that behaviour is based and the particular filters that we use when mentally processing the data that we receive about that person.

As an example, assume that over the course of your own career, you have had many positive interactions with women managers who were your direct supervisors. As a result, one of your filters in regard to women managers, is one of positive gender bias. This leads to an assumption that when you meet a woman manager you will most likely have a positive interaction with her. This in turn causes your behaviour to be open and friendly with the expectation of a positive consequence if you behave in this way. In fact, some female managers you may meet may be highly autocratic, tough and competitive. That is, they will not align with your assumption about most women managers. Therefore, if you behave in an open and friendly manner to these autocratic women managers, you may find that the consequence of that behaviour is less than effective.

In all of our business interactions, it is important to understand the assumptions we make about people and the way that those assumptions drive our behaviour. A good manager of diversity, is able to respond effectively to issues involving managing and interacting with employees from different backgrounds, based on ethnicity, culture, gender, race, age, functional diversity, personality, thinking styles and other issues of difference. They have additional competencies. These include the ability to:

- Respond more effectively to issues involving managing and interacting with employees from different backgrounds based on ethnicity, culture, gender, race, age, functional diversity, personality, thinking styles and other issues of difference.
- Articulate the relationship between the effective management of diversity and key business outcomes, including innovation, customer service, productivity and globalisation.
- Identify management competencies relating to diversity which they need to further develop, including team management, communication, motivation and performance management.
- Have an enhanced understanding of their own identity and its effect on their interactions with others.
- Use diversity issues as a basis for experiential learning

Finally, managers must realise that, often, working with diversity is counter-intuitive. As individuals and as organisations, those times when we are under stress or perceived threat -- when we are most in need of new and innovative solutions to our problems -- are exactly those times

when we are *least* likely to be innovative, and most likely to revert to a familiar and comfortable way of doing things.

One of the demonstrated benefits of diversity is that of improved innovation and creativity. That is, diverse teams come up with more creative, more innovative, and importantly *more feasible* and *more effective* solutions. Given that under times of stress we all revert to our familiar and comfortable ways of solving problems, then during a time of stress, a diverse problem solving team would naturally fall back on a wider variety of familiar patterns of problem solving -- thus generating a wider variety of perspectives, and providing more possible solutions to the problems that are causing the stress.

The biggest obstacle, then, to creating diverse problem solving teams during times of stress, is likely to be our tendency to be more comfortable with people who are like ourselves, and the familiar solutions they generate. If we can overcome this natural impulse, and create an environment where diverse and inclusive problem solving teams are created, we stand a much better chance of coming up with better, more effective solutions.

### **Practical Steps to Managing Diversity**

The examples of many prominent organisations worldwide, provide excellent reference material for organisational leaders and managers seeking to develop concrete, practical programs for managing diversity in their organisations. Companies such as Hewlett Packard, Mobil, Fujitsu, Australia Post, Dupont, AT&T, General Motors, Proctor & Gamble, 3M and Nestle, have all taken their own successful approaches to managing diversity.<sup>xvi</sup>

In her book *The New Leaders*, Ann Morrison cites research undertaken across a range of private and public sector organisations which revealed the top five most used diversity practices.<sup>xvii</sup> By far the most significant of these is top management's personal intervention. This significance is underscored in processes used by many large organisations to describe their process for managing diversity. As in strategic diversity process implementation models such as those of Cox<sup>xviii</sup>, Baytos<sup>xix</sup> and Loden<sup>xx</sup>, the commitment by in support and personal involvement of organisation leaders is critical for the success of the diversity process.

Another frequently used aspect of a successful organisation-wide diversity initiative is the formation of a diversity council. Organisations must ensure that diversity strategy is developed and implemented by a broad cross-section of organisational members, with a variety of dimensions of diversity represented. This diversity council, should then work with the organisational leaders to clearly determine why diversity is important to the organisation and to define clear and succinct business reasons for engaging in a diversity process.

Also critical is an analysis of the organisation. What is the climate for diversity? Who works in the organisation - that is, who is the real population of the organisation? What is the experience of the various identity groups in this organisational culture and what are their concerns? This sort of information can be gathered through the use of employee opinion surveys, or through more specific organisational culture audits, which can be accomplished through the use of surveys, focus groups and targeted interviews.

A good Human Resources Information System is also important, to be able to track trends in identity group representation at different levels and functions of the company, as well as recruitment selection and promotion data for various identity groups. Such a system was used by Xerox Corporation in order to identify a balance workforce strategy, which looked at both male and female and cultural majority and minority groups, across the various salary grade bands within the organisation. They identified annual and 10 year goals for representation rates of those groups at those different levels, with the goal of mirroring the available workforce demographics at all levels of the company.<sup>xxi</sup>

Once results of the data gathering activity are analysed they can be used for benchmarking comparisons with other organisations engaged in similar diversity processes, for checking and refining the diversity strategy, and for developing specific action plans, measurement criteria, and communications plans.

Organisations must move then quickly once they have gathered credible data and have done rigorous analysis of that data, into an action phase. Interventions may include education in diversity, changes in culture and management systems such as recruitment, orientation, performance appraisal, compensation and benefits, promotion and training and development opportunities. They may also include changing the workforce profile and a variety of organisational culture change interventions. These interventions must be monitored throughout their implementation through organisational, environmental and personal progress checks. The entire process must be maintained and measured in an ongoing process of review and adjustment.

## **Measuring Progress**

According to a survey of leading edge companies conducted by The Conference Board, diversity measures tend to fall into six categories.

These are: Demographics;  
Organisational Culture;  
Accountability;  
Productivity, Growth and Profitability;  
Benchmarking; and  
Programmatic Measures.

These components combined, become the basis for strategic diversity measurements for organisational effectiveness. <sup>xxii</sup>

Demographic Measurements focus on workforce composition. These measures track a company's ability to attract and retain a diverse talent pool and to be responsive to the marketplace.

Organisational Culture measures, as discussed earlier, provide companies with opportunities to both assess the work environment and to understand how different groups view the environment.

Accountability measures include performance evaluations, 360 degree feedback, and other evaluations. Companies including Mobil Oil Australia have tied performance bonuses to successful achievement of diversity management objectives. These companies look to their managers to create a positive organisation culture and an environment that values and respects diversity and rewards management behaviours that create this culture. Thus a key element of measurement is to hold managers and employees accountable for good diversity practices, by integrating diversity into performance appraisals and agreements.

Productivity, Growth and Profitability measures include areas such as employee morale, retention figures, turnover and absenteeism. To be effective, these measures must be tracked in such a way as to identify the differences in these areas, between various identity groups in the organisation.

Benchmarking measurements are well understood throughout most industries, as providing useful comparisons between an organisation's practices and best practices.

Programmatic Measures study the outcomes of specific diversity programs such as training and education, flexible work practices, and mentor programs.

Custom designed measurement and diagnostic tools have been developed and used by organisations to assess their own particular effectiveness in a number of areas of diversity management. Such

tools look at areas like awareness, behaviours, work life balance, accountability, the implementation of strategies and action plans, allowing individuals and groups to assess personal, group and organisational performance in these areas. The results of such analysis can be used to develop organisational and group action plans and to provide target measurement for performance evaluations.

### **Problems and Pitfalls**

As noted earlier, working with diversity can often be counter-intuitive. Those who are in positions of relative power and privilege -- such as Anglo-Australian male managers -- can easily remain unaware of the impact of diversity dynamics on individuals and groups who are not like ourselves and therefore see little reason to engage in this work. In addition senior managers and executives who have been successful in a particular organisational culture and who have been rewarded for behaving in the ways which have made them successful, may see few compelling reasons for change, and many logical reasons to resist diversity initiatives. Roosevelt Thomas discusses a number of areas of resistance with working with diversity, in his book *Beyond Race and Gender*.<sup>xxiii</sup> These include:

- ◆ Insufficient Motivation
- ◆ Loyalty to Assimilation
- ◆ Insufficient Understanding of Culture
- ◆ Narrow Definition of Diversity
- ◆ The “isms” and “ias” (eg racism, sexism, homophobia)
- ◆ Lack of Strategic Perspective
- ◆ Desire to Avoid Risk
- ◆ Insufficient Leadership
- ◆ Managerial Attention Span
- ◆ Lack of Power
- ◆ Inadequate Change Management Skills
- ◆ Full Plate

Given that diversity programs typically involve changes to an organisation’s culture and mindset and that individuals and organisations are typically resistant to change, there must be a compelling reason to engage in diversity work. Typically organisations change, motivated either by strong vision or by crisis.

Visionary organisations of today motivate their people around diversity issues, by providing clear business reasons for engaging in diversity programs, by relating diversity to existing initiatives such as quality, customer service and globalisation, by educating their managers and workforce in the strategic value of managing diversity and by focusing management on the short and long term benefits of effective diversity management. In addition these organisations are aware of the natural tendency towards an organisational culture of assimilation - that is, shaping its members to fit the mould. They take a broad definition of diversity that is relevant and practical for the organisation, they seek to eliminate organisational barriers to risk taking and they adopt a policy of zero tolerance

for inappropriate language and behaviour. While we all tend to be most comfortable with people like ourselves, to be successful in a diverse workplace, we must follow the advice of consultant Dr. Alan Weiss, who asks us to shed a basic safety layer and embrace the fact that people like us, should be those who share a fundamental work ethic and basic business value, not merely those who look like us or share a common history.<sup>xxiv</sup>

## **Summary and Conclusions**

This article has sought to bring together many of the essential areas of understanding and activity in which organisation leaders in Australia today must engage if they seek to successfully compete with their global counterparts in managing a diverse workforce and customer base. Briefly summarised, these areas are:

- understand the benefits of managing diversity, and the penalties of not doing so
- define diversity for your cultural and organisation context -- what are the differences that make a difference?
- identify the local, regional and global forces that influence diversity management
- understand diversity in terms of organisational dynamics and behaviour
- develop essential diversity management skills and competencies
- implement the necessary practical steps in a diversity-focused organisation development process
- utilise practical and appropriate measurement and accountability systems

For those with the vision to understand the changing realities of workforce demographics and the increasing interdependence of global and regional economies, the effective management of diversity is, to quote Dr. Alan Weiss, “as intrinsic to organisational success, as is effective communication or accurate planning”.<sup>xxv</sup>

The effective management of diversity is a powerful management tool, which when applied to corporate goals, helps you adapt to business realities, keeping you in step with leading organisations worldwide and most importantly, helping you to solve your business problems.

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<sup>i</sup> Fernandez, J., *Managing a Diverse Workforce*, Lexington Books, 1991

<sup>ii</sup> Hayles, R. & Mendez Russell, A., *The Diversity Directive*, McGraw Hill, 1997

<sup>iii</sup> Abbott, J., et. al., *Costing Turnover: Implications of Work/Family Conflict at Management Level*, in *Asia Pacific Journal of Human Resources*, Vol 36 #1

<sup>iv</sup> Smith, D & Carmody, H, *Managing Diversity in Business Council of Australia Bulletin*, August 1991

<sup>v</sup> Robinson, G & Dechant, K, *Building a business case for diversity*, *Academy of Management Executive* Vol 11 No 3.

<sup>vi</sup> see Adler, N., *International Dimensions of Organisational Behaviour*, South-Western College Publishing, 1997; and Cox, T., *Cultural Diversity in Organizations*, Berrett-Kohler, 1994 among others.

<sup>vii</sup> Definitions courtesy AT&T, 1990.

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<sup>ix</sup> 1995 American Management Association Survey, cited in Flynn, G., *Do you have the right approach to diversity?*, *Personnel Journal*, October 1995.

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<sup>xi</sup> *Enterprising Nation: Report of the Industry Task Force on Leadership and Management Skills*, Commonwealth of Australia, 1995.

<sup>xii</sup> Cox, op. cit.

<sup>xiii</sup> Gifford, C., *Lessons in Diversity*, the *Boston Globe*, December 31, 1996

<sup>xiv</sup> Adler, op. cit.

<sup>xv</sup> Thomas & Ely, op. cit.

<sup>xvi</sup> See *Cultural Diversity at Work*, Department of Immigration and Multicultural Affairs, Canberra, 1998, contact 02 6264-1682; *Our Multicultural Advantage*, Employment Victoria, 1998, contact 1800 640 407; Smith and Carmody op. cit; *Cultural Diversity and Work Newsletter*, the GilDeane Group, Seattle, WA contact 206-362-0336; *The Diversity Letter*, Australian Diversity Consultants, 03-9756-7366; et.al.

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### **Author's Profile**

Duncan Smith is the Principal of ADC Associates, a Melbourne based consultancy providing services in diversity, and organisational development. Duncan Smith has been a consultant, manager and executive educator for over 25 years in the United States, Western Europe and Australia, focusing since 1988 in the fields of organisational development and diversity. Since migrating to Australia in 1991 from his native Boston (USA), he has consulted on diversity for numerous multi-national and Australian companies, as well as Federal and State governments.

He holds a Bachelor of Arts degree in Religion from Trinity College (U.S.A.), which focused on Asian religion and culture, and a Master of Education degree from Harvard University, focusing on Organisational Behaviour and Adult Learning. He has published articles on diversity in the *Monash Mount Eliza Business Review*, the *Bulletin of the Business Council of Australia*, and the U.S. periodical *Cultural Diversity at Work*. Duncan has presented numerous seminars and workshops on diversity, and has lectured in Diversity, Management and Organisational Behaviour at Melbourne, RMIT, Swinburne and Monash Universities and at Mt Eliza Business School. Duncan is an Honorary Fellow of the Melbourne Business School, and has been Regional Diversity Advisor for Asia Pacific and Japan for Hewlett Packard.

With a strong interest in the globalisation of commerce and the development of an equitable global society, Duncan focuses his work on the impact of national, organisational, and personal culture on successful work practice, using diversity to enhance performance for individuals, groups and organisations.