

Turning Diversity into Competitive Advantage: A Case Study of Managing Diversity in the United States of America

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ABSTRACT

Esty, Griffin, and Hirsch (1995) state that today's workforce is truly a mosaic of different races, ages, genders, ethnic groups, religions, and lifestyles. As a manager or a supervisor, it is your job to make sure that the desperate pieces of a mosaic fit together in a harmonious, coordinated way, maximally utilizing the talents and abilities of each employee. If skillfully managed, this diversity can bring a competitive advantage to an organization. If not, however, the bottom line can be negatively affected, and the work environment can become unwelcoming. Dealing with a diverse work group is new terrain for most managers and supervisors. The United States rose to the top using a one-size-fits-all approach to managing employees. This work in past because, historically, most of the work force was white, and male. This has all changed. The following parts will clearly provide a description about diversity, changes in the United States work force, challenges and opportunities of the changes for organizations, and how managers and supervisors as front liners deal with diversity and to turn diversity into a competitive advantage.

Keywords: diversity, human resource management

WHAT IS DIVERSITY?

There are many different definitions of diversity. For example, Griggs believes diversity should be defined in the broadest possible way. Not only does diversity include differences in age, race, gender, physical ability, sexual orientation, religion, socio-economic class, education, region of origin, language, and so forth but also differences in life experience, position in family, personality, job function, rank within hierarchy, and other such characteristics that go into forming an individual's perspective. Within an organization, diversity encompasses every individual difference that affects a task or relationship. Diversity also has an impact on the products and services developed by its work force as well as on personal, interpersonal, and organizational activities (1995).

George & Jones give another definition. Diversity is differences resulting from age, gender, race, religion, sexual orientation, and socioeconomic background. If an organization or group is composed of people who are all of the same gender, ethnicity, age, religion and so on, the attitudes and behavior of its members are likely to be very similar. Members are likely to share the same sets of assumptions or values and will tend to respond to work situations (projects, conflicts, and new tasks) in similar ways. By contrast, if the member of group differ in age, ethnicity, and other characteristics, their attitudes, behavior, and responses are likely to differ (George & Jones, 1996).

One of the best definitions is given by Esty et al. that focused on ten dimensions of diversity that they believe are the most critical for the workplace i.e., age, race, hierarchy/status, gender, religion. Physical ability/disability, family situation, sexual orientation, class, and ethnicity (1995).

Palmer (1989) outlines three ways in which diversity in the workplace has been viewed. She states that the way many people in the past have dealt with diversity is to see it as a moral issue. They attempt to create opportunities for people who are diverse because it is a just, fair, and right thing to do. She calls this paradigm "The Golden Rule."

A second paradigm, which she labels "Righting the Wrong," focuses on dealing with diversity as a legal issue. From the beginnings of the civil rights and feminist movements, large number of people become more aware of the injustices wrought upon people of color and women. In the 1960s and 1970s, affirmative action (AA) and equal employment opportunity (EEO) legislation was passed. Many managers in the workplaces across the country struggled to comply with the law and to treat everyone the same. Although the creation of the "protected class" did lead to increased opportunities for many diverse workers, these laws also created a backlash. Many people wrongs often entailed treating people in the present unfairly; quotas became a dirty word.

Palmer's third paradigm is "Valuing diversity." Here the goal changes from assimilation to valuing the differences that exist. This involves increasing the value this awareness of differences among employees

and appreciating the value these differences add to the organization.

Here in this third paradigm, which is the best one to face the diversity in the workplaces, the goal is not necessarily to change people, but to change the organizational systems and culture so that the organization can become inclusive and move from being monocultural to being multicultural. It also represents a major departure from the typical assumptions of many managers and supervisors, such as the idea that treating people exactly the same is the fairest approach. Giving people what they need if they are to be employees who fully contribute means treating different people quite differently. The idea of giving up the goal of assimilation, however, is still unsettling to some of today's managers.

The diversity issue became more important for organizations in recent years and will continue to be important in the future. It is caused by many demographic changes, which will be explained as follows.

DEMOGRAPHIC CHANGES

One of the major challenges for human resource (HR) management is the changing nature of the work force, the third most important issue in a survey of almost 300 HR specialist (behind health care and corporate reorganizations) (1994). The principal challenge for HR management is to understand how the diversity of work force affects behavior, performance, and well being (George & Jones, 1996).

The following facts, in the United States, describe that change. In the last twenty years, the demographic makeup of employees entering the work force and advancing to higher-level positions in organizations has been changing rapidly. Partly as a result of affirmative action and equal employment opportunity legislation, the number of minority employees entering and being promoted to higher-level positions has increased (Kessler, 1990).

By the year 2005, African-American and Hispanic employees are expected to make up over 25 percent of the work force, and the percentage of the white males is expected to decrease from 51 percent to 44 percent. At the same time, the number of women entering the work force has also been increasing, and the year 2000 women are expected to make up 40 percent of the U.S work force (Johnson & Packer, 1987; Galen & Palmer, 1994). The average age of people in the United States is rising. More people are living longer. By 2000, one in three American will be 45 or older, and people in the 35 and 45 group will constitute approximately 50 percent of the work force (Louw, 1995). Finally, because of

increased internationalization, diversity is evident not just among Americans but also among people born in other nations who come to the United States to live and work. They are expected to contribute significantly to these totals by 2005 (Fullerton, Jr., 1989).

On the other hand, Chemers et al. states that the changing demographic characteristics of the work place present both challenges and opportunities to individuals and to organizations of which they are apart. On positive side, people who had heretofore been denied the opportunity for full development of their talents will be afforded a greater chance to realize their potential. At the same time, organizations will stand to benefit from diversity on a number of fronts. In terms of selection and placement, a broader talent pool means more high-quality employees from which to choose. In term of creativity, innovation, and performance, demographic diversity can also mean diversity of perspectives and ideas (1995).

Diversity also holds the potential for negative effects. As Sessa and Jackson point out, "different" has often meant wrong, bas, or alien. Traditional organizational policies and practices may not fit the new nontraditional employees, who are new entries i.e. women, ethnic minorities, and immigrants. The new employees may feel misunderstood and unappreciated, while both new and traditional organizational members may approach their interactions with anxiety and apprehension. Tension, misunderstanding, and sometimes outright hostility between the old and the new groups can create problems of coordination and cohesion for newly diverse organizations (1995). Also, as explained by Esty et al., here is a sampling of the kinds of problems that managers and supervisors report to us in dealing with diverse workers: feedback, discipline, quality and performance, communication, timeliness and absenteeism, accuracy, schedules and deadlines, initiative and risk taking, teamwork, interpersonal conflict, terminating a poor performer (1995).

By considering those demographic changes above, the managers and supervisors should determine how they effectively manage a diverse work force and turn diversity in the work place into a competitive advantage.

MANAGING A DIVERSE WORK FORCE

Triandis provides a theoretical framework that can serve as the basis for research as well as interventions to improve interpersonal relationship among diverse organizational members (1995). This framework suggests that the key variables that must

be considered in thinking about diversity are cultural distance, perceived similarity and a sense of control as well as culture shock. If there is too large a cultural distance, it may be better to keep the ethnic group separate and select those among each group who are objectively similar to work together and coordinate the actions of the separate groups, rather than to mix the individuals directly. The United Nations provides a model along these lines. The representatives of each nation have a lot in common, belong to similar socioeconomic groups, and thus can work together.

On the other hand, if the cultural distance is small, one can introduce a variety of facts, such as cross-cultural training, super ordinate goals, and equal status contact that are likely to lead to positive inter group attitudes, a sense of control, and little culture shock. Unfortunately, he has not specified quantitatively how much cultural distance is "too much."

If the groups are to be separate, that does not mean that they will have unequal power. That should be avoided. In fact, their representatives should have equal power in the committees that coordinate the actions of the separate groups.

There is research (Jackson & Alvarez, 1992) showing that diversity is good for creativity but is undesirable from the perspective of job satisfaction or commitment to stay in the organization. Thus, it is not a panacea or a plague. It depends on the kind of job and the kind of criterion that we want to maximize. We should take an experimental perspective, identifying the jobs, people, groups, and organizations that are likely to benefit from diversity and the jobs, people, groups, and organizations where we want to keep people who are diverse in different social environments and select individuals who are diverse in different social environments and select individuals who are objectively similar to coordinate their activities. We should keep in mind that it may not be possible to maximize one criterion without getting very bad results on other criteria, so that in the final analysis the judgment about how to assemble groups will be political than scientific.

Similar to the framework suggested by Triandis above, George & Jones state that the increasing diversity of the work force presents three challenges for organizations and their managers: a fairness and justice challenge, a decision-making and performance challenge, and a flexibility challenge (1996).

Fairness and justice challenge

Jobs in organizations are a scarce resource, and obtaining jobs and being promoted to a higher-level job is a competitive process. Managers are challenged to allocate the jobs, promotions, and rewards in a fair

and equitable manner. As diversity increases, achieving fairness can be difficult, at least in the short run, because many organizations have traditionally appointed white male employees to higher organizational positions. Also, seniority plays a role and many minorities are recent hires (Fine, Johnson, & Ryan, 1990). Rectifying this imbalance by actively recruiting and promoting increasing number of women and minorities can lead to difficult equity issues because this attempt to fix the traditional imbalance reduces the prospects for white male employees. An increase in diversity can thus strain an organization's ability to satisfy the aspirations of its work force, creating a problem that, in turn, directly affects the work force's well being and performance. Organizations must learn to manage diversity in a way that increases the well being of all employees, but deciding who to achieve this goal can pose difficult ethical problems for managers (Cox Jr., 1994).

Decision-making and performance challenge

Another important challenge posed by a diverse work force is how to take advantage of differences in the attitudes and perspective of people of different ages, genders, or races, in order to improve decision making and organizational performance (Jameison & O'Mara, 1991). Many organizations have found that tapping into diversity reveals new ways of viewing traditional problems and provide a means for an organization to assess its goals and ways of doing business. Coca-Cola, for example, in an attempt to increase its top manager's abilities to manage a global environment, has deliberately sought to recruit top managers of different ethnic backgrounds. Its CEO came from Cuba originally, and another top managers are from Brazil, France, and Mexico. To increase performance, organizations have to unleash and take advantage of the potential of diverse employees. Hoechst Celanese has been a leader in exploiting the advantages of a diverse work force. Like Hoechst Celanese, IBM also has a commitment to diversity (George & Jones, 1996).

Two other significant performance issues confront organizations with a diverse work force. First, research has found that many supervisors do not know how to manage diverse work groups and find it difficult to lead diverse groups of employees. Second, supervisors are often uncertain about how to handle the challenge of communicating with employees whose cultural backgrounds result in assumptions, values, and even language skills that differ from the supervisors' (Jackson & Associates, 1992). Various

racial or ethnic groups may respond differently to the demands of their job responsibilities or to the approaches that leaders use to manage relationship in work groups. Age and gender differences can also cause problems for managers, such as when younger employees find themselves in a position of authority over older and perhaps more experienced employees. Similarly, some men find it difficult to report to or to be evaluated by women. The mixing of generations, such as the baby-boomer (1946-1964) and baby bust generations (1965-1976), can also cause problems (George & Jones, 1996).

If diversity produces conflict and distrust among organizational members, individual, group, and organizational performance suffers and organizations must take active steps to solve diversity-related problems (Copeland, 1988; Geber, 1990). For example, if the skills and talents of women and minorities are not being fully utilized because older white males cannot (or refuse to) recognize them, an organization will suffer a significant loss of potential productivity. To reduce such losses, many organizations have instituted cultural diversity programs to improve personal and group relationships, to promote cultural sensitivity and acceptance of differences between people, and to promote skills for working in multicultural environments (Fulkerson & Schuler, 1992).

Flexibility Challenge

A third diversity challenge is to be sensitive to the needs of different kinds of employees and to try to develop flexible employment approaches that increase employee well being. Examples of some of the approaches include the following:

- New benefits packages customized to the needs of different groups of workers, such as single workers with no children and families, and workers caring for aged parents.
- Flexible employment conditions (such as flex-time) that give workers input into the length and scheduling of their workweek.
- Arrangement that allow for job sharing so that two or more employee can share the same job (to take care of children or aged parents, for example).
- Designing jobs and the building that house organizations to be sensitive to the special needs of handicapped workers (and customers).
- Creating management programs designed to provide constructive feedback to employees about their personal styles of dealing with minority employees.
- Establishing monitoring relationships to support minority employees.

- Establishing informal networks among minority employees to provide social support.

The Xerox Corporation, for example, has undertaken major initiatives to increase diversity by increasing the proportion of women and minorities it recruits and promotes. Xerox has also established a sophisticated support network for minority employees. Managing diversity is ongoing activity that has important applications for organizations, particularly as diversity is forecast to increase as more and more women and minority employees enter the work force (George & Jones, 1996).

EFFECTIVELY MANAGING A DIVERSE WORK FORCE

Effective management of a diverse work force is necessary for an organization to perform at a high level, gain a competitive advantage, make fair decisions, and be ethical. There are three steps organizations can take to effectively manage diverse employees; securing the commitment of top management to diversity, diversity training, and education (George & Jones, 1996)

Securing Top-management commitment to diversity

Ernest H. drew, CEO of Hoechst Celanese, is a prime example of a top manager who is committed to diversity and whose diversity crusade has achieved tangible payoffs for his organization. Drew travels around the country meeting with workers and managers at Celanese production plants, emphasizing the importance of diversity. As he puts it, "When the CEO meets with employees, it signals diversity is important" (burger, 1981; Fiske & Taylor, 1984).

In addition to meeting face-to-face with workers and managers, Drew has taken other steps to secure the commitment of top managers to diversity. At Celanese, manager's salaries and bonuses are based on four criteria: financial performance, customer satisfaction, environmental and safety improvements, and work force diversity. Because having and maintaining a diverse work force is on equal footing with the traditional performance criteria, managers can readily see that diversity not only is an important organizational goal but also benefits them personally. Celanese aims to have at least 34 percent of its employees at all levels be women and minorities of the year 2001 because that is the percentage of women and minorities who are projected to be graduating with relevant degrees from colleges at which Celanese recruits (Hall & Taylor, 1976).

Another way in which top managers' commitment to diversity is through the requirement that all top managers join and participate in two organizations in which they themselves are a minority. This gives managers firsthand experience on how it feels to be a minority, helps breakdown stereotypes, and lets managers know the ways which diverse members of an organization are similar to each other (Rice, 1994).

What is the likely outcome when top managers are committed to diversity? Their commitment helps ensure that their perceptions of and their attributions for the behavior of diverse members of an organization will as accurate as possible and that they will understand and see that diverse employees as they really are. Top-management commitment to diversity also helps to promote accurate perceptions and attributions throughout an organization. When supervisors support diversity, subordinates are more likely to be committed to diversity and less likely to rely on stereotypes (George & Jones, 1996).

Diversity training

Diversity training can facilitate the management of a diverse work force. There are many diversity programs with many different objectives, for example,

- Making explicit and breaking down organizational members' stereotypes that result in inaccurate perceptions and attributions.
- Making members aware of different kinds of backgrounds, experiences, and values.
- Showing members how to deal effectively with diversity-related conflicts and tensions.
- Generally improving members' understanding of each other.

Diversity training programs can last hours and days and can be run by consultants or existing members of an organization with expertise in diversity. Small organizations are more likely to rely on consultants; larger organizations often have diversity managers. Fifty percent of Fortune 500 organizations, for example, have diversity managers on staff (Rice, 1994).

Many diversity programs are successful, but others not change the ways that people perceive and treat each other in organizations. It appears that diversity training is most likely to be successful when it is ongoing or repeated (rather than a single session), when there are follow-up activities to see whether the training has accomplished its objectives, and when is supplemented by other diversity-related activities in

an organization, such as events focused on celebrating diversity day. On that day, employees dress in traditional ethnic clothing and share authentic dishes with their coworkers (Lee, 1993).

Education

Sometimes effectively managing diversity requires that members of an organization receive additional education to make them better able to communicate and work with diverse employees and customers. The Kentucky State government, for example, realized that it was unable to provide employment opportunities for people with hearing impairments and could not provide high-quality service to hearing-impaired citizens wanting to use state-provided services and programs. The American with Disabilities Act (passes by Congress in 1990 and put into effect in 1993) requires organizations to be responsive to and accommodate people with disabilities (including deafness or hearing impairments) (Rice, 1994).

After considerable research, the Kentucky State government develop a three-stage program to improve its responsiveness to people (both customers and potential employees) who were hearing impaired or deaf. First, state employees chosen for the program participate in one-day workshop that educates them about deaf culture and background. Second, employees attend a four-day workshop in which they learn some of the basics of American Sign Language (the most often used form of signing and a visual language that deaf people use to communicate). Finally, employees attend a weeklong workshop an advanced American Sign Language (Rice, 1994).

DIVERSITY: A COMPETITIVE ADVANTAGE

It will bring us back to the most fundamental question: Why is it worth it? Why should a manager or supervisor work toward increasing diversity and creating a work environment in which diversity is valued? The most important answer to this question is that valuing diversity will help your organization's bottom line and give your organization a competitive advantage. Here are some of the ways in which well-managed diversity can be a competitive advantage:

1. *Increased productivity.* In a workplace in which people feel respected, included, and valued, they will stop acting negative actions and productivity will go up.
2. *Fewer lawsuits.* In 1993 the EEOC extended the "hostile environment" standard to work place bias based on age, race, religion, disability, color, or

natural origin. Lawsuits cost corporations and other organizations enormous amounts of money, to say nothing of time and energy lost. For example, Stores grocery chain settled a gender bias case for \$107 million in April 1994. In a workplace in which diverse workers are respected and truly valued, there will be fewer suits.

3. *Retention of business.* A number of organizations now pay carefully attention to the demographics of companies with which they do business. In particular, federal agencies and municipal governments have taken the lead in saying no to perspective suppliers and clients who cannot demonstrate a clear commitment to diversity. For example, a Midwestern city refused to buy computer equipment from a high-tech company whose sales team was entirely white.
4. *Increasing marketing abilities.* A diverse employee group can provide insight into the thinking of a wide range of customers. As markets become differentiated, the smaller market segments become more important. Attracting new customers can be critical differences between survival and going out of business.
5. *Creating the largest possible talent pool for recruitment.* In this day of increased competition, it is important for every organization to hire smart, energetic people and to have access to the largest possible pool of talent. Any company that smacks of "old-boyism" where what you see at the top of the house is primarily white males, may find that a high proportion of the talented candidates who are women and people of color will choose other organizations.
6. *Becoming an employer of choice.* The word spreads like wildfire about which companies are best for women, for people of color, for people with disabilities, for gays, etc. The grapevine also spreads information about which companies are known to be tough places for parents, for women, for blacks, etc. Sometimes it is only when a company learns that it has a bad image that it is ready to change. For example, one Big Eight accounting firm in an eastern seaboard city usually hires about twenty new accountants every year. In 1993, nine women turned down the firm's offers and accepted jobs at its major competitor. The women explained that they had learned that the second firm was known to be a good place for women, with lots of flexibility regarding work arrangements and generous parental leave.

There are more benefits to be gained by having a diverse workgroup, although these benefits are harder to measure and quantify than most of those mentioned

above. They are better morale, heightened creativity, and improved decision making (Esty et al., 1995).

CONCLUSIONS AND RECOMMENDATIONS

As mentioned above, **managers and supervisors face challenges** posed by diversity. They must deal with the day-to-day problems that arise when people in their workgroups **speak in different languages**, come from different cultures, espouse different values, or have totally different life experiences. They must cope with the issues that develop when a workgroup is made up for people unlike themselves and one another in terms of race, gender, age, ethnicity, sexual orientation, religion, family situation, and place of birth. **Otherwise, they will affect negatively to organizations.**

Managers and supervisors must also learn how to create a working environment in which diversity and differences are valued and in which all employees can contribute to their fullest potential. **If the challenges have been successfully coped**, your organization will have a competitive advantage over most others. Failure to meet either of them will diminish your workgroup's productivity and mark you as lacking one of today's most critical managerial or supervisory skills. **In the future, no organizations will be able to afford those who cannot work successfully with diverse employees.** In brief, the ability to manage diversity is a fundamental requirement for managers in 1990s and will continue to be important for the future.

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