Chapter 3

Literature Review
Introductory Readings (Books/ Articles on Diversity) :

Carr-Ruffino, N. (1996) writes for managers and supervisors who want to be diversity “workplace leaders”. Meant for leaders and managers wanting to develop specific diversity management skills, he talks on team building and on handling one's own and others’ prejudices. He also focuses on African Americans, Asian Americans, Latino Americans, gays, people with physical disabilities, older persons, and obese people. Overall, he covers myths and facts, stereotyping, cultural profiles, values, issues and perceptions, and, finally, leadership opportunities and challenges.

Cox, T., Jr. (2001) provides a short overview of the benefits of well-managed, genuine multiculturalism. He explains a five-part change model for implementing and continuously managing diversity. He identifies and gives examples of best practices. One of his most important observation is “commitment at that [top] level is a necessary but not sufficient condition for effective leadership on managing diversity. Success requires many leaders.

Kossek, E.E., & Lobel, S.A. (Eds.) brings in a foundational work which is needed for any HR manager responsible for organisational diversity. The book covers all aspects of HR’s roles in diversity management - providing theory, best practices, and substantial bibliographies. Its quotes on organisational change management, assessment and accountability, training, strategic planning, and emerging trends are excellent. The book also briefs on performance appraisal providing HR managers with a clear understanding of how cultural assumptions are embedded in appraisal systems and in the people conducting them. It also identifies best practices for performance evaluation changes to better support diversity.

Dobbs, M.F. (1996) wrote an article which is invaluable for the ‘lessons learned’ it presents and for how it identifies the HR manager’s role in managing diversity initiatives. The lessons are derived from interviews with executives and HR managers assessing the diversity initiatives in three companies and a city government. The article’s findings mirror the best practices described earlier and include, “top management commitment and leadership, a clearly articulated mission tied to business goals, a supportive culture,
A variety of interventions, active employee involvement, an ongoing process for institutionalizing the change, evaluation, and modification. This article warns that there is no diversity ‘quick fix’ in organisations. Rather, if diversity goals are integrated into strategic planning and become part of the company’s business objectives, they will ultimately be embedded in the company’s processes. The role HR manager’s play in diversity management is pivotal; they are “the experts regarding the theory, knowledge and process of diversity”.

Mor Borak, M. (2005) uses examples and case ‘mini-studies’ to illustrate a broader concept of multiculturalism than the traditional North American definition. The first section contains overviews of legal, social, and political issues including detailed analyses of workplace demographics and the socioeconomic causes and consequences of globalization. The second section addresses social and psychological perspectives on workforce diversity focusing on how different groups approach the same issues. The third section applies a model of an inclusive workplace to various institutional levels - within an organisation, between a corporation and a community, through state/nation collaborations and, finally, on an international level.

Thomas, R.R., Jr. (1992) first introduces the expanded concept of diversity and then explains its value to an organisation. Chapters cover in detail the steps needed to change corporate culture. It provides an excellent sample of a cultural audit. He does not trivialize the challenges of diversity implementation, identifying the time required and some of the obstacles faced by organisations implementing diversity initiatives.

Diversity Definitions

Digh, P. (1998b) notes 12 definitions of diversity mission statements and goals statements from a range of organisations. The variety illustrates that culture, values, and business goals can create significant differences in how an organisation approaches diversity. He emphasizes that there is no one answer to how an organisation should define diversity. He reproduces five organisations’ diversity definitions and identifies seven assumptions and belief systems that underlie diversity management principles.
Johnson, J.P., III. (2003) produces a much-reproduced graphic illustration showing the dimensions that comprise an individual’s diversity. The image, entitled the Four Layers of Diversity, is useful in presentations to senior management and staff when defining diversity.

Maier, C. (2005) brings an excellent example of a broader approach to diversity and human resources management than the standard U.S. perspective. He presents a three-part model for managing diversity that incorporates the rational, emotional, and spiritual processes involved in human interactions. In addition, his definition of diversity is more subtle and self-actualized than the mainstream U.S. definition. Observing that group-defined diversity is externally imposed, he argues for a diversity model that allows each individual to identify what group aspects of diversity apply to him or her and to what extent. Using his model, an individual might say her female gender is 30% important but the fact that she is a freed prisoner of apartheid defines another 40% of what she considers unique about herself.

McMahon, A.M. (2006) outlines four ways an organisation can approach diversity and then shows, through a series of tables, how those approaches differ in terms of core programs, communication roles, information and data gathering activities, and community leadership. This paper is valuable to help HR managers assess how an organisation defines its ‘diversity stance’. Using that analysis, the HR manager can craft an effective strategic plan in alignment with the organisation’s culture and its philosophical assumptions about diversity.

Management Commitment to Diversity

Makower, J. (1995) quotes of what top leaders and middle managers must do to implement and then support diversity in their organisations. It includes paraphrases and quotes from Paul Fireman, a sporting goods company CEO, who speaks eloquently about the need for and the benefits of diversity. Complimenting Fireman’s perspective are descriptions of two other examples of diverse organisations, Inland Steel and Tabra, Inc. This is a useful article to raise top management awareness of the true value of workplace diversity.
**Catalyst, Inc. (2003)** provides mini-best practices for managers, concrete action steps, and a list of the business benefits of diversity. One insight it offers that can be turned into a useful quote is the statement that if managers want to benefit personally and organisationally from an inclusive work environment, then managers at all organisational levels must challenge organisational patterns and make change happen.

**Business Case for Diversity**

**Gardenswartz, L., & Rowe, A. (2002) Gardenswartz, L., & Rowe, A. (2006)** together with the SHRM resource article, cover the arguments an HR director needs to put together to help both management and employees understand how diversity is relevant to the organisation’s goals, needs, and employees. This article explains five key factors that make diversity initiatives important for businesses. These factors should be included in any business case justification for diversity.

**Lynch, F.R. (1992)** recounts a quote from **Kevin Sullivan** who delivered the keynote address to the First Annual National Diversity Conference held in May 1991 in San Francisco. Sullivan advises his listeners about how to sell top leaders on diversity by emphasizing the bottom-line, e.g., the cost savings and the competitive advantages of gearing up for workforce and customer cultural diversity. He warned, “its business, not social work.” HR managers discussing diversity with top management can benefit from Sullivan’s perspective.

**Kwak, M. (2003)** states that HR directors advocating a business case for diversity must present a balanced case. They need to both understand and communicate the fact that a commitment to diversity does not automatically result in bottom-line benefits. Diversity requires thoughtful choices and constant gardening. This article identifies a variety of contextual variables that help determine whether diversity boosts or lowers a firm’s performance. Diversity initiatives benefit organisations that promote collective over individual achievement, emphasize stability or customer relationships rather than growth, train employees in diversity-related values, and foster an integration and learning perspective throughout the organisation.
**Driving Cultural & Organisational Change**

**Dass, P., & Parker, B. (1999)** pointed out that there is no one “best” way to manage workplace diversity. This article explains how to analyze an organisation’s diversity approach. Particularly useful are the three strategies they identify as most effective in managing diversity. Diversity Perspectives and Associated Strategic Responses provides a helpful, high-level matrix for analyzing the way an organisation is thinking about diversity and thus, the types of actions and outcomes an HR manager can expect to achieve.

**Friday, E., & Friday, S.S. (2003)** offers an eight-step diversity management process emphasizing the critical role strategic planning plays in achieving positive diversity results. The diversity goals and initiatives an organisation wishes to achieve must be aligned realistically with the organisation’s broader long-term objectives and strategic positioning. A lack of alignment contributes “to the purported ineffectiveness of many diversity initiatives”. HR managers can use the strategic planning process diagrammed to begin aligning diversity strategy with organisational business strategy.

**Schein, E.H. (1996)** examines barriers to organisational learning. While such barriers are valuable to keep in mind when undertaking any type of organisational change, they are very useful when planning to implement diversity learning and training. In Schein’s analysis, the ‘classic’ diversity differences were insignificant when compared to the differences between the professional cultures, values, and assumptions of the three groups studied - executives, engineers and operators.

**Stoner, C.R., & Russell-Chapin, L.A. (1997)** presents a four-phase model for achieving diversity and argues that HR managers and organisation leaders must plan a focused process for creating cultural change or a diversity program will fail. The authors identify specific problems that could slow down or stall diversity management process-building. They pay particular attention to the damaging effect that building isolated programs has on an organisation. Uncoordinated programs often occur because of a lack of high-level commitment.
Zane, N.C. (2002) presents an article which should be required reading for all HR managers and organisational leaders wanting to implement diversity. Analyzing a financial institution’s conversational patterns over 2 ½ years, it documents an alternative to diversity training for changing organisational behavior in effect, “the power of language to influence thinking”. Using qualitative and quantitative data, the author shows how a sustained commitment by the CEO and his involvement with ‘discourse communities’ within the organisation, ultimately results in employees taking responsibility for defining and implementing positive cultural changes that support diversity.

Organisational Assessment and Diversity Metrics

Pierce, K. (2006) presents an excellent overview of the value created by measuring the right data in the right way. HR directors and diversity managers must measure an organisation’s existing diversity, attitudes, and practices before they implement diversity initiatives (through, for example, an organisational or a cultural audit). With that initial assessment of the organisation, HR professionals must then design a change strategy and accompanying metrics to assess the change efforts. This article identifies nine best practices to keep in mind when measuring organisational performance: (1) Find it, use it, name it, (2) Let the data tell the story, (3) Keep priorities in your sights, (4) Drive data up, drive data down, (5) Do not let the perfect stop you from the possible, (6) Have the courage to share your results, (7) Iterate intelligently, (8) Manage, and (9) Invest. Paraphrasing one of the authors’ conclusion, ‘effective data gives diversity managers the power to manage for results’.

Thomas, R.R., Jr. (1999) warns HR managers that they must be able to explain their diversity progressing terms of quantitative and qualitative metrics. As diversity efforts in an organisation mature, senior managers will want to know what they are ‘getting’ for the cost and effort. Diversity managers must plan assessment - both in advance of implementing diversity to create benchmarks and, after making diversity investments, to assess the return on those investments for the organisation. One section covers the three core questions: What shall we measure? How should we measure it? & When should we measure it?
Chang, S., & Tharenou, P. (2004) states that Managers at all organisational levels are critical to diversity’s success. This article researched what managerial competencies are needed to manage a multicultural group of subordinates. HR managers can use these competencies to assess managers’ current skills and design training programs to help managers develop the full repertoire of skills needed.

Greenholtz, J. (2000) focusing on the needs of transnational companies, this assessment tool inventories an individual’s multicultural/transnational sensitivity and competence. Using this tool, the HR manager of a transnational company can identify management’s training needs and design targeted programs to address those needs. It also offers an excellent description of the importance of multicultural competence in expatriate populations which can be used both to choose and to justify potentially expensive training programs.

Stutz, J., & Massengale, R. (1998) is of the opinion that two critical areas HR managers must continue to measure, no matter what other diversity initiatives they manage, are federally-mandated Equal Employment Opportunity (EEO) and Affirmative Action program (AAP) data. This article introduces the SMG Index (the letters of the acronym are taken from the family names of the index’s inventors who worked at Microsoft). The SMG Index uses existing data points within the standard required EEO reports but broadens this data to “measure the success or failure of specific diversity work over time and to quantify its effect on the organisation”. This index helps HR and diversity managers answer “What’s the bottom line?” No warranty of the software is implied by inclusion of this abstract, but it sounds like an effective tool.

Love, J.B. (2001) brings out an excellent description of how to do diversity assessment in libraries using seven basic questions. The author illustrates the process with clear and well-focused tables throughout the text. He developed the questions based on three pilot studies conducted in libraries and reproduces both the variables he used for a diversity assessment survey and the actual survey instrument.

Chow, I.H.S., & Crawford, R.B. (2004) covers a large number of issues about diversity management. It is useful for HR managers planning assessment because it explains many of the metrics used in measuring diversity. It not only helps HR managers understand
how group membership and perception of group status affect understanding of inter-group relationships, but it provides a conceptual model on which assessment processes can be grounded in workplace activity - the task/function model. Finally, it provides a copy of the assessment tool used.

**Plummer, D.L. (2003) & Hubbard, E.E. (2003)** presents an article that should be required reading for all HR/diversity managers. Plummer’s chapter provides the business case and the practical case for conducting an organisational audit before committing to any specific diversity practices or programs. Hubbard’s article is a mini-textbook for measuring and carefully analyzing diversity’s impact. By beginning diversity planning with a clear understanding of the organisation as it now exists, HR managers can design achievable programs that meet the employees’ and the organisation’s needs.

**Lockwood, N.R. (2004)** states that when designing organisational audits and planning assessment metrics, HR managers must develop methods to capture and analyze data on the relative progress and pay of women compared to men. This article is an excellent overview of the ways in which women, and in particular women of color and women employed internationally, are disadvantaged when compared to men. It offers recommendations for ways HR managers can help to ‘break the glass ceiling’ in an organisation. Considering the data that Lockwood reports that companies with more women in their top management have higher stock prices and higher total return to shareholders, enabling women to succeed on an equal playing field may offer a strong business case for diversity.

**Training**

**Moore, S. (1999)** is of the opinion that Diversity initiatives in the 1980’s and 90’s over-relied on diversity training programs that were not founded on reputable pedagogical, sociological, or psychological theory and practice. Horror stories abound and still taint training efforts. Yet learning through training is crucial for the success of all participants in an organisation that wishes to become diverse since it must change both human and organisational practices. The section in this article on diversity training initiatives provides an excellent introduction to the challenges an HR director should anticipate when implementing diversity training, a clear overview of the differences between
awareness-based diversity training and competence and skills-based diversity training, and a valuable warning that diversity issues are multidimensional and must be approached in the context of the organisation.

**Hastings, R.R. (2006)** includes some observations from **Oris Stuart**, (managing partner of Global Lead Management Consulting) that should focus diversity training efforts: “*People join organisations but leave managers.* But organisations don’t do a good job of teaching managers how to manage a diverse team and their own biases. Instead, diversity and inclusion are often presented to middle managers as yet another thing they have to deal with”.

**Combs, G.M. (2002)** summarises the failures of traditional diversity training. Too often, managers are asked to become change agents without proper training. They need concrete skill development, practice, and feedback to build new skills to a level that they are willing to risk attempting to use those skills. He argues that training designed to develop individual self-efficacy, defined as the individual’s judgment of his or her ability to perform a certain task successfully, is the needed bridge between ineffective diversity training and that which truly empowers managers to risk new behaviors.

**Von Bergen, C.W., Soper, B., & Masters, R. (2001)** discusses of how the ‘golden rule’ maxim of management (do unto others…) is inadequate and can lead to employee alienation. Although a management style based on the golden rule assumes many positive attributes, such as respect and fairness, it presumes everyone desires the same treatment, discounting the diverse viewpoints and needs of others. The fable of the monkey and the fish is a great one to use in training sessions to illustrate the golden rule taken to a disastrous extreme.

**Von Bergen, C.W., Soper, B., & Foster, T. (2002)** showcases the things that can go wrong with diversity training. Poorly designed diversity training can result in employees feeling devalued, in more discrimination, in demoralized employees and reinforced stereotypes, and, in the worst cases, increased legal liabilities. Given this potential for organisational damage, HR directors should evaluate diversity training efforts for unintended negative consequences and should ensure that diversity training focuses “on rules of civil behavior rather than trying to change people’s beliefs”.
Managing Diverse Work Teams

**Wright, P.M., & Snell, S.A. (1999)** is of the opinion that HR managers must recognize the ways in which group diversity sometimes enhances performance but sometimes has neutral or negative effects. This article provides a quick overview of the types of diversity that matter for job-related teamwork. The performance impact of diversity is inconsistent because organisations often fail to manage group processes effectively. Team managers must be adequately trained to ensure successful behavior integration among diverse group members. HR managers must ensure team managers have training to help them develop needed skills in the emotional aspects of group management, in intervention techniques, in communication, and in team building so that they can manage diverse work teams effectively.

**Schwenk, C.R. (1997)** champions an organisational culture that does not force a top-down corporate culture and conformity on all employees and by extension on teams and work groups. A corporate culture that values eccentricity and rewards critical thinking, constructive conflict, and vigilant problem-solving, will derive maximum benefit from the diversity of work groups. If teams are not trained and managed to permit constructive conflict, then the positive effects of diversity will be lost. He offers guidelines for effectively using intentionally-managed conflict to improve diverse work group performance.

**Cummings, J.N. (2004)** quotes that team performance is dependent on many aspects of diversity - not just the traditional, overt differences between and among people. By examining the degree to which a team’s external knowledge sharing activities bring increased team performance and outcomes, this study found that structurally diverse work groups outperformed demographically diverse workgroups. Thus, work groups that differed in geographic location, functional assignments, reporting managers, and business units brought a wider variety of unique knowledge to the teams’ tasks than did work groups composed of members who differed demographically. Managers must remember “that not all sources of diversity in work groups enhance the value of knowledge”. Different diversity characteristics should be chosen to enhance team performance and should be aligned to the team’s tasks.
Mannix, E., & Neale, M.A. (2005) finds both positive and negative effects of diversity on teamwork. This article is useful for diversity managers who want a thorough understanding of the findings on team diversity benefits and drawbacks. It also analyses extensively the gaps in practical research and theoretical development. The last section, “Advice for Organisational Teams”, covers how to organise team processes to maximize positive outcomes and to mitigate the negative effects of team diversity. Based on current understanding of diverse work groups, they conclude that the ‘business case’ for diversity is harder to build since managing diverse teams in organisations requires significant additional human and financial costs. They assert that a human resources-based case for diversity, which they define as “more effective utilization of talent and leadership potential, increased marketplace understanding, [and] enhanced creativity and problem solving”, is a stronger argument for persuading senior management to embrace workplace diversity and team workgroups.

Communication

Harris, P.R., & Moran, R.T. (1996) opines that Seventy-five percent of a manager’s time is spent communicating to people; indeed, “communication is at the heart of all organisational operations and international relations”. This pragmatic chapter covers several key areas of communicating, particularly understanding context without attribution, active listening, and both verbal and non-verbal “speaking”. The section on international body language and the 20 guidelines (best practices) for English and foreign languages are particularly valuable.

Ayoko, O., Hartel, C., Fisher, G., & Fujimoto, Y. (2004) presents a useful blend of communication principles, theories of multicultural communication, and research findings. In includes a good summary of the skills and competencies needed for cross-cultural communication: cultural awareness, emotional competence, openness to dissimilarity, and conflict management skills. The authors call for more multicultural research on communications noting that the majority of studies have been done in the United States and have a distinctly American ethnocentrism.
Sadri, G., & Tran, H. (2002) focuses on improving the supervisor-subordinate communication process. Using strategies employed at Dow Chemical and Texas Commerce Bank, the authors show how effective communication can promote integration and equality in the workplace. The two strategies are: managing the personal growth process (MPG) and mentoring. MPG develops an individual’s understanding of his/her role in the supervisor-subordinate relationship and skills in communicating with supervisors. Reciprocal and open communication between the mentor and the mentee again gives the employee being mentored practice in communication skills as well as many other benefits.

International Human Resources Management

Albrecht, M.H. (Ed.). (2000) covers HR responsibilities in an international context and is divided into six sections with chapters in each written by subject experts. The sections include: understanding cultural diversity in global business; strategic human resource management; recruitment, selection, and placement in a global context; training and development; employee relations; and issues in global and cultural diversity. Each section includes at least two case studies and all chapters contain extensive bibliographies.

Jackson, T. (2002) uses case studies and research studies to show how international cultural differences influence HR practice. He contrasts the individualized, contractual approach of HR in the United States with other cultures’ approaches, particularly the Japanese who take a moral and spiritual approach to managing workers. The author gives an overview of key cultural values of selected regions and countries, Japanese, British, European, Chinese, Post-Soviet (eastern Germany and Czech Republic) and post-colonial (Africa and India).

Harris, P.R., & Moran, R.T. (1996) provides a useful basic explanation of cultural specifics of doing business and giving service in different regions. Chapters on North America, Latin America, Asia, Europe, the Middle East, and Africa, describe tips for doing business and negotiating in the countries within those regions. This is a good starting point for understanding the cultural differences that affect international workplace diversity.
Holden, R. (2001) gives a real-life description of the issues and challenges HR directors face in international organisations. The author uses his experiences in three global companies to illustrate problems and offer solutions.

Six regional perspectives on diversity (2004) describe what diversity means in a country or region. They explain the extent of diversity in their area of expertise and the challenges their cultures present to foreign leaders and HR managers. They identify best practices and offer a list of “do’s and don’ts” for businesses and organisations wishing to operate successfully.

Von Glinow, M.A., Drost, E.A., & Teagarden, M.B. (2005) & M. Losey, S. Meisinger, & D. Ulrich (Eds.) describes eight universal best practices organized into four HRM areas, selection, training and development, compensation, and performance appraisal. Respondents were asked to identify those human resources practices currently in existence and also those which will be important for the future. The findings illustrate the care with which HR managers must operate in a global corporate culture to ensure they design appropriately nuanced HR policies and processes.

Littrell, L.N., & Salas, E. (2005) provides an excellent resource for the HR manager responsible for training programs for expatriate employees. Cross-cultural training (CCT) promotes “intercultural learning through the acquisition of behavioral, cognitive, and affective competencies required for effective interactions across diverse cultures” and has been identified as a major technique for improving international management. Using an extensive literature review, the authors identified first the components that make up the design and delivery of typical CCT programs, second, best practices in the design, delivery, and evaluation of those programs, and third, a number of activities multinational corporations should undertake to improve and extend their expatriate training.

Markoczy, L. (1998) provides a needed balance to the wealth of literature that analyzes and explains international cultural differences. Markoczy makes a powerful argument that too often individuals interpret each other’s actions based on an effort to be sensitive to the impact of cultural differences. Using several examples from her own research and others’ findings, she illustrates how simpler explanations for behaviors can be more accurate in many circumstances. She warns HR directors and overseas managers not to
overuse explanations based on national and cultural differences. While cultural differences are real, using them as the only lens through which international human behavior is interpreted, leads to missed cues, missed opportunities, and mistakes.

**Downsides of Diversity (Problems and how to prevent them)**

**Porter, J.C. (1995)** states that HR managers need to know what ‘worst’ practices to avoid. This article summarizes some of the practices that inhibit and discourage diversity. The author focuses on the critical role of the manager, recognizing that unless diversity has “management support and leadership, the differences in individual values and organisation culture can be too great to be assimilated naturally”. In particular, he points out areas requiring cultural change and analyzes existing ways organisations limit criticism and conflict and thus create a homogeneous culture that discourages diversity.

**McMillan-Capehart, A. (2006)** opines that Organisational diversity goals are often seen as antithetical to an organisation’s need to have a successful person-organisation fit. This article describes two sets of socialization techniques, those which promote homogeneity and those which are considered best practices for socializing the employee while supporting organisational and individual diversity.

**Graham, J. (2004)** is of the opinion that Diversity initiatives are often criticized as either quota filling - without regard for a candidate’s skills and abilities - or management-driven PR - without any real effect on how employees are managed and treated. Responding to these criticisms, diversity experts stress that initiatives must be accompanied by a results-oriented accountability. This article emphasizes the need for all employees to be held to high performance standards. In addition, it stresses that responsibility for diversity management and participation must be built into performance expectations.

**Bassett-Jones, N. (2005)** talks of the benefits of workplace diversity for the creativity and innovation it brings to an organisation. This article gives HR managers a realistic understanding of both the benefits and possible negative consequences of diversity. Without a significant effort by HRM to manage the “sub-systems of recruitment, reward, performance appraisal, employee development and individual managerial behaviours”,

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the organisation will fail to support the conditions necessary for the positive effects of diversity, such as creativity and innovation, to flourish.

**Kirby, S.L., & Richard, O. C. (2000)** observes that it is very easy for employees to resent an organisation’s efforts to become more diverse. Employees perceive a company’s diversity efforts through the way top management and HR directors communicate the reasons for engaging in diversity management. Employees’ willingness to believe in those explanations, affects affect their job involvement and organisational commitment. Fairness, through constructs such as organisational justice, distributive justice, procedural justice, and systemic justice, plays a critical role in how accepting employees are of workplace diversity. This article’s findings are invaluable for helping HR managers understand that HR process and procedures must be perceived to be fair and must be understood by employees to be motivated by reasons they can accept. Positive perceptions of “process” fairness and of “purpose” fairness can offset the potentially alienating effects of outcomes or results that are not perceived as fair.

**Barry, B., & Bateman, T.S. (1996)** talks of how to undertake activities that foster constructive diversity management and what to watch out for in terms of unintended consequences and side effects of certain types of diversity outcomes. The social trap model used by the authors provides an analytical tool and a language for understanding how diversity initiatives work. Often small, individual decisions made by managers and employees support or derail the organisation’s diversity intentions. This model shows how to analyze situations where decision problems involve conflicts between the individual’s desired or near-term outcomes and the collective or long-term consequences desired by the organisation. Managers, in particular, are often put into social decision traps because they have conflicting responsibilities and goals.

**Barry, B., & Bateman, T.S. (1996)** observes of a “virgin field lacking in theoretical frameworks”. Along with recommending that social trap theory be applied to other topics such as leadership, group processes, etc., the authors suggest an interesting area of diversity study. Future researchers should examine how individuals work within organisational expectations through studying managers’ thought processes as they navigate through particular types of diversity environments and challenges. They suggest using simulations or problem-solving scenarios and then tracking managers’ verbal
protocols. This would help understand the impact of organisational diversity efforts and expectations on the managers who must implement them.

McMillan-Capehart, A. (2006) observes that there is not enough research on the impact of diversity on organisations - particularly finely-grained studies of diversity’s impact on firm performance. McMillan-Capehart calls for more research in this area. Some studies examine the effect of more finely-parsed aspects of diversity, for example managerial skill in team building or composition of team’s diversity characteristics on team goals and/or profitability. However much more research needs to be done in this area before HR managers can conclusively identify the best practices that affect a firm’s bottom line.

Lauring, J., & Ross, C. (2004) affirm and broaden Mc-Millan-Capehart’s observations on the need for further research into diversity’s ostensibly positive effect on business goals and profits. “This positive link is only supported to a limited degree by in-depth research” and more often is based on opinion. They provide an excellent bibliography on the business case for diversity and extent the study of that business case to multinational corporations.

Van Knippenberg, D., & Schippers, M.C. (2007) examines work group diversity literature from 1997 – 2005 to assess the state of research in this field and to identify areas for further research. It concludes that the field needs a “more complex conceptualization of diversity” and a focus on the “processes that are assumed to underlie the effects of diversity on group process and performance”. The bibliography is comprehensive and the concluding section highlights many areas for research and experimentation.

McMahan, G.C., Bell, M.P., & Virick, M. (1998) makes a point that is still extremely germane. The section on research ideology gives a good overview of models and approaches to date, noting that most of the theoretical research and model building that has been done has been U.S.-centric. However, this is one of the few research review sections that examine diversity research models from other cultures.

Pitts, D.W. (2006) reviews the literature on diversity management and concludes that “despite increased research, scholars have been slow in developing knowledge that can
be used by the public sector manager”. Joining with many other scholars, he also laments the “atheoretical nature of diversity research to date” and observes that most of the benefits have been acclaimed by consultants and illustrated by case study literature that can only probe incompletely into some of the relationships between diversity constructs, individual actions, and organisational effects. His literature review and bibliography form an excellent basis for research in public sector diversity issues.

**Other Literature’s**:

**Wright, P.M., & Snell, S.A. (1999)** feels that HR managers must recognize the ways in which group diversity sometimes enhances performance but sometimes has neutral or negative effects. This book provides a quick overview of the types of diversity that matter for job-related teamwork. The performance impact of diversity is inconsistent because organisations often fail to manage group processes effectively. Team managers must be adequately trained to ensure successful behavior integration among diverse group members. HR managers must ensure team managers have training to help them develop needed skills in the emotional aspects of group management, in intervention techniques, in communication, and in team building so that they can manage diverse work teams effectively.

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Love, J.B. (2001) gives an excellent description of how to do diversity assessment in libraries using seven basic questions. The author illustrates the process with clear and well-focused tables throughout the text. He developed the questions based on three pilot studies conducted in libraries and reproduces both the variables he used for a diversity assessment survey and the actual survey instrument.

Cox, T., Jr. (2001) provides a short overview of the benefits of well-managed, genuine multiculturalism. It explains the author’s five-part change model for implementing and continuously managing diversity. Each chapter identifies and gives examples of best practices. One of the most important observations in the book is “commitment at that [top] level is a necessary but not sufficient condition for effective leadership on managing diversity.

Rosen and Digh (2001) quotes that Diversity offers benefits like creativity, resistance against lawsuits, political favorers, better decisions, and better knowledge of markets.

Holden, R. (2001) handouts a real-life description of the issues and challenges HR directors face in international organisations. The author uses his experiences in three global companies to illustrate problems and offer solutions.

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Wederspahn M Garry (2002) is of the opinion that the cross border reach on corporations has been growing rapidly for the past two decades. It has now become the order of the day. These developments have given rise to new organisation that brings together individuals and groups from different national and organisational cultures. Employees need to be prepare to be able to effectively handle inter cultural tasks

Dr. Sen Guplta Nilanjan and Choudhary Ray Manodip (2002) charms that with the advent of communication and transport, there is culture diffusion. Developing tolerance towards cultural variations has become the need of the hours. Different culture values as
portrayed by hofstede research as a tool of reanalyzing organisational culture and focuses on corresponding corporate value system prevalent across the globe.

**Zane, N.C. (2002)** analyzing a financial institution’s conversational patterns over 2 ½ years documents an alternative to diversity training for changing organisational behavior in effect, “the power of language to influence thinking. Using qualitative and quantitative data, the author shows how a sustained commitment by the CEO and his involvement with ‘discourse communities’ within the organisation, ultimately results in employees taking responsibility for defining and implementing positive cultural changes that support diversity.

**Plummer, D.L. (2003) & Hubbard, E.E. (2003)** provides the business case and the practical case for conducting an organisational audit before committing to any specific diversity practices or programs. Hubbard’s book is a mini-textbook for measuring and carefully analyzing diversity’s impact. By beginning diversity planning with a clear understanding of the organisation as it now exists, HR managers can design achievable programs that meet the employees’ and the organisation’s needs.

**Singh K Manish K Singh and Dutta Andrew (2003)** Workforce diversity refers to the composition of work units in terms of the cultural or demographic characteristics that are salient and symbolically meaningful in the relationships among group members. Although generally thought of as the purview of management research, the topic of workforce diversity draws from and is relevant to research from sociology and psychology.

**Kwak, M. (2003)** quotes of HR directors advocating a business case for diversity must present a balanced case. They need to both understand and communicate the fact that a commitment to diversity does not automatically result in bottom-line benefits. Diversity requires thoughtful choices and constant gardening. This book identifies a variety of contextual variables that help determine whether diversity boosts or lowers a firm’s performance. Diversity initiatives benefit organisations that promote collective over individual achievement, emphasize stability or customer relationships rather than growth, train employees in diversity-related values, and foster an integration and learning perspective throughout the organisation.

**Friday, E., & Friday, S.S. (2003)** offers an eight-step diversity management process emphasizing the critical role strategic planning plays in achieving positive diversity
results. The diversity goals and initiatives an organisation wishes to achieve must be aligned realistically with the organisation’s broader long-term objectives and strategic positioning. A lack of alignment contributes “to the purported ineffectiveness of many diversity initiatives”. HR managers can use the strategic planning process diagrammed to begin aligning diversity strategy with organisational business strategy.

**Catalyst, Inc. (2003)** provides mini-best practices for managers, concrete action steps, and a list of the business benefits of diversity. One insight it offers that can be turned into a useful quote is the statement that if managers want to benefit personally and organisationally from an inclusive work environment, then managers at all organisational levels must challenge organisational patterns and make change happen.

**Chow, I.H.S., & Crawford, R.B. (2004)** covers a large number of issues about diversity management. It is useful for HR managers planning assessment because it explains many of the metrics used in measuring diversity. It not only helps HR managers understand how group membership and perception of group status affect understanding of inter-group relationships, but it provides a conceptual model on which assessment processes can be grounded in workplace activity - the task/function model. Finally, it provides a copy of the assessment tool used.

**Cummings, J.N. (2004)** asserts that team performance is dependent on many aspects of diversity - not just the traditional, overt differences between and among people. By examining the degree to which a team’s external knowledge sharing activities bring increased team performance and outcomes, this study found that structurally diverse work groups outperformed demographically diverse workgroups. Thus, work groups that differed in geographic location, functional assignments, reporting managers, and business units brought a wider variety of unique knowledge to the teams’ tasks than did work groups composed of members who differed demographically. Managers must remember “that not all sources of diversity in work groups enhance the value of knowledge”. Different diversity characteristics should be chosen to enhance team performance and should be aligned to the team’s tasks.

**Lockwood, N.R. (2004)** examines and quotes that HR managers must develop methods to capture and analyze data on the relative progress and pay of women compared to men. This book is an excellent overview of the ways in which women, and in particular women of color and women employed internationally, are disadvantaged when compared to men.
It offers recommendations for ways HR managers can help to ‘break the glass ceiling’ in an organisation. Considering the data that Lockwood reports that companies with more women in their top management have higher stock prices and higher total return to shareholders, enabling women to succeed on an equal playing field may offer a strong business case for diversity.

Chang, S., & Tharenou, P. (2004) mentions that Managers at all organisational levels are critical to diversity’s success. This book researched what managerial competencies are needed to manage a multicultural group of subordinates. HR managers can use these competencies to assess managers’ current skills and design training programs to help managers develop the full repertoire of skills needed.

Soutar, S. (2004). Beyond the rainbow. Aimed at the CEO/management level of an organisation, this book is again a valuable introductory piece that describes the business case for diversity from a financial and performance perspective. It identifies the critical elements of a diversity strategic plan.

Mor Borak, M. (2005) contains overviews of legal, social, and political issues including detailed analyses of Workplace demographics and the socioeconomic causes and consequences of globalization. The second section addresses social and psychological perspectives on workforce diversity focusing on how different groups approach the same issues. The third section applies a model of an inclusive workplace to various institutional levels - within an organisation, between a corporation and a community, through state/nation collaborations and, finally, on an international level.

Maier, C. (2005) presents an excellent example of a broader approach to diversity and human resources management than the standard U.S. perspective. He presents a three-part model for managing diversity that incorporates the rational, emotional, and spiritual processes involved in human interactions. In addition, his definition of diversity is more subtle and self-actualized than the mainstream U.S. definition. Observing that group-defined diversity is externally imposed, he argues for a diversity model that allows each individual to identify what group aspects of diversity apply to him or her and to what extent. Using his model, an individual might say her female gender is 30% important but the fact that she is a freed prisoner of apartheid defines another 40% of what she considers unique about herself.
McMahon, A.M. (2006) four ways an organisation can approach diversity and then shows, through a series of tables, how those approaches differ in terms of core programs, communication roles, information and data gathering activities, and community leadership. This paper is valuable to help HR managers assess how an organisation defines its ‘diversity stance’. Using that analysis, the HR manager can craft an effective strategic plan in alignment with the organisation’s culture and its philosophical assumptions about diversity.

Pierce, K. (2006) presents an excellent overview of the value created by measuring the right data in the right way. HR directors and diversity managers must measure an organisation’s existing diversity, attitudes, and practices before they implement diversity initiatives (through, for example, an organisational or a cultural audit). With that initial assessment of the organisation, HR professionals must then design a change strategy and accompanying metrics to assess the change efforts. This book identifies nine best practices to keep in mind when measuring organisational performance: (1) Find it, use it, name it, (2) Let the data tell the story, (3) Keep priorities in your sights, (4) Drive data up, drive data down, (5) Do not let the perfect stop you from the possible, (6) Have the courage to share your results, (7) Iterate intelligently, (8) Manage, and (9) Invest. Paraphrasing one of the author’s conclusion, ‘effective data gives diversity managers the power to manage for results’.

Library Literatures: Diversity best practices in library literature parallel general diversity best practices. Both leadership commitment and strategic planning are required to sustain lasting diversity changes (Howland, 2001; Li, 1999; Williams, 1999). Assessment and accountability are necessary to identify process changes and to reinforce behavioral changes (Coats, Goodwin, & Bangs, 2000; Love, 2001; Owen, 2000; Winston & Li, 2000). And, finally, to build a truly diverse staff, academic libraries must engage in diverse and creative recruitment and retention strategies (Acree, Epps, Gilmore, & Henriques, 2001; Musser, 2001). The benefits to libraries of building diverse organisations also parallel the benefits of diversity to businesses and other non-profit organisations. Successfully managed diversity brings enhanced organisational performance, particularly in areas such as problem solving, creativity, innovation, and flexibility (Bassett-Jones, 2005; Cox, 2001; Golembiewski, 1995; Kossek & Lobel, 1996; Pitts, 2006). Encouragingly, some authors argue that diversity can be more readily implemented and accepted in academic libraries because they are, “by their very nature
and missions, learning organisations” (Love, 2001, p. 78), and thus have values supporting the learning and change processes required by diversity initiatives.

La Russo (1993) describes the implementation of ‘ethnic traditions’ training into the City of Aurora, Colorado. This training forms part of a bigger picture that includes on call translators and the use of basic question cards by first response crews. He provides a number of very straightforward examples that clearly illustrate how ignorance of other cultures’ attitudes can very easily frustrate normal operational activity and success in building relationships within a community.

Kemper (1998) writes from a global training perspective. She sees that skills we have relied on in the past are no longer adequate. She believes that the ability to adopt methods and to work effectively in a cross-cultural or multicultural setting has become critical. She reports that quite often the effect of culture on training success is still often realised only after a wake-up call or experience of culture clash in a training setting.

Johnson and O’Mara (1992) describe diversity training in a large utility company of some 27,000 employees where a strategy employed was to develop diversity trainers internally which had a number of benefits. The company sees that managing diversity is the right thing to do, and makes good business sense by creating better customer service, improving its public image and boosting consumer confidence and credibility. The company has what appears to be a comprehensive customer service program that meets the needs of people of different ethnic origins. The company’s approach has been recognised by the United States Department of Labour.

Payne and Mobley (1992) describe the significant potential and reality of backlash or resistance to diversity training. They provide a very useful table that lists twenty issues that can foster resistance to such training. They also offer a number of strategies for success: get management aboard, involve employees, work from an inclusive definition of diversity, use well qualified professionals as trainers, acknowledge resistance, let experience be the teacher, affirm the value of trainees’ experience, put an end to the PC (Politically Correct) police, be clear on business connections, laugh, smile and enjoy, follow up, co-facilitate, create an open atmosphere, keep up with new developments and integrate special topics.
Nelson et al (1991) found that ethnicity along with membership of rural or urban communities were variables in regard to citizen preference for obtaining threat – relevant information and preference for participation in the process of community emergency management. Their findings were specific and highlighted the need to investigate particular ethnic group preferences prior to delivery of education / information programs or requests for participation.

Duguay (1996) summarises key information from a report titled “Cultural Diversity and Disaster”, published by the University of British Columbia Disaster Preparedness Resource Centre for Emergency Preparedness in Canada. This information lists a number of facts and advice items that support information found in other literature. The facts and advice are comprehensive and straightforward and would be useful information for any emergency services to reference.

Palumbo (1994) examines the impact of cultural diversity training within the Chesterfield Fire Department. An unexpected result was that 66% of survey respondents perceived that this training did not assist them in dealing with the public / customers they serve. A number of recommendations are provided which would address this result. The Australian Bureau of Statistics (1993) found that 17.4% of the population in Australia aged five and over live in homes whose first language is other than English. This breaks down to 28.8% of the population in Melbourne.

Adult Multicultural Education Services (1999) provides an evaluation of a pilot cultural diversity training program held at one fire station. A number of useful suggestions were provided by participants. The thrust of the evaluation is very positive. One participant reported of now engaging local Vietnamese in conversation in shops, something he had not previously done.

Kirton and Greene’s (2005) review of academic research finds that most commentators are sceptical about whether the business case approach will deliver equality for all, particularly as many businesses achieve positive business outcomes even though they do not value workforce diversity. They say the business case approach will not necessarily lead to fair or equal representation of disadvantaged groups, even if it does increase the diversity of employees within an organisation as “there are too many cases when it could
be argued it will not pay to pursue diversity”. They therefore argue for the need to continue with an EEO approach of recognising and addressing inequalities and discrimination as well as proactively managing diversity in order to deliver business benefits.

**Kirton and Greene (2005)** also say that it could be argued that the business case approach assumes that equality already exists, so difference can be celebrated. In their view, the business case approach “may actually encourage the avoidance of more radical and long-term equality agendas because what might be seen as preferential treatment will be at odds with a diversity orientation” (p. 290).

One of the foundations of the business case approach is the argument that effectively managing diversity helps meet the challenges of the current tight labour market. This may not carry a much weight if labour market conditions change. In addition, there may not be equal business benefits from all diverse groups, so while some individuals or groups may benefit from the business benefits approach, others may not.

The EEO approach has been criticised for not going far enough; resulting in increased workplace diversity, but not in the cultural transformations required for diverse people to move into senior positions or fully draw on their different experiences and perspectives (Thomas and Ely, 2005).

Other writers argue that the two approaches are connected and complementary and are both needed in order to deliver equality for all alongside business benefits (CIPD, 2005; European Commission, 2003; **Kirton and Greene, 2005; Monks, 2007**). The business case approach emphasises culture change and valuing and utilising difference, thus adding to the broader representation resulting from an EEO approach. Some writers say the EEO approach is based on an assumption that non-mainstream groups will adapt to the norms of the dominant group, whereas the business case approach recognises the benefits of the differences people bring with them (**Kirton & Greene, 2005; Hubbard**). Yet, as **Kirton and Greene (2005)** point out, the full benefits of diverse workforces will not emerge unless discrimination is eliminated.
Cassell (2004) points out that the EEO argument can be seen from a business benefits perspective as, in order to maximise the talent available, all groups must be given equal employment opportunities.

In addition, ethical employment practices encompass both EEO and business case approaches as an organisation’s reputation as socially responsible and ethical can be linked to improved outcomes in terms of attracting customers and staff (CIPD, 2005; Kirton and Greene, 2005).

A further view of the connections between the two approaches is given in a European Commission (2003) report which says there are three reasons for adopting diversity policies: legislative compliance, ethical and economic. They argue that legislative compliance is linked with the business case due to the legal costs involved in non-compliance.

Kirton and Greene (2005) say that neither an equality nor a business case approach can in practice effect the required transformation of workplace culture which would involve a systemic, structural, and long-term approach involving a voluntary power shift by the dominant group. For example, many women with children need a change from the norm of work from the full-time uninterrupted career pattern of male breadwinners. Therefore some of the push for change has to come from members of the dominant group which is not likely to happen unless they see benefits for themselves.

As Kirton and Greene (2005) point out, much of the literature on diversity is from the US and, while the concepts and theories are useful, each country needs to contextualise them into its own social, economic, legal and historical circumstances, including the different demographic makeup of each society. In the US, the shift to a business case approach arose from a failed affirmative action approach, rather than the EEO approach taken in the UK and New Zealand. The UK has not embraced the business case approach to the extent of the US while in New Zealand the business case approach has been strongly argued by the Equal Employment Opportunities (EEO) Trust for many years.

Mannix and Neale in their 2005 review conclude that demographic diversity has an inherently negative effect on group functioning, but underlying differences such as
experience, education and personality are more positively linked to performance through facilitating creativity and group problem solving, but only when the group process is carefully controlled and through mediators such as cohesion, communication and conflict management. They also note the need to understand how minority opinion has its effects and thus how to maximise effectiveness, for example, through team leader support for listening to minority views and setting up a group norm of openness and learning from each other.

Bassett-Jones (2005) focused his analysis of existing research findings on high-commitment organisations that base their management approach on outcomes rather than process and on trust rather than heavy supervision. Aspects of diversity considered included ethnicity, gender, function, ability, language, religion and lifestyle. He found, as does this review, that positive and negative outcomes are associated with diversity, as new management styles are needed to achieve positive outcomes. He also refers to Leonard and Sparks (1999) in claiming that “it takes more than demographic or ethnic diversity to result in creativity that leads companies to perform better” (Bassett-Jones, 2005:170). Leonard and Sparks claim that in order to spark creativity and innovation, special management skills are required to overcome conflict and provide toleration and support for dissent. Process rules and communication skills are also needed as well as an organisational culture that is conducive to maximising a team’s ability to think divergently.

Cox (2001) cites case studies comparing diverse and homogenous groups, with and without diversity training, and found that diversity training and proactive management determined whether diverse groups outperformed homogenous groups on problem solving tasks. His own research comparing ethnically diverse groups with all-Anglo groups showed that diverse groups were more creative and innovative in completing a marketing task which involved brainstorming solutions and ideas in relation to a tourist marketing problem (McLeod, Lobel & Cox, 1996). Groups were compared by rating the quality of the ideas in terms of effectiveness and feasibility.

Lattimer (1998:5), reviewing literature alongside internal empirical and applied organisational research, concluded that “diverse groups and teams significantly outperform their homogenous counterparts, especially in problem-solving and decision-
making” and that the concerns and reservations about the efficiency of diverse work teams are “greatly exaggerated”. Initial issues of trust and communication need to be professionally facilitated and worked through in order to capitalise on the benefits of diverse perspectives and ways of working. Lattimer also finds that strong pressure to conform to existing norms and ways of doing things alienates those who are different, see things differently and do things differently, and thereby loses the value of their different perspective by suppressing it, frequently causing them to leave the organisation. Lattimer also cites, along with others such as McMillan-Capehart (2005) and Gassmann (2001), the need for recognition and appreciation of different values together with a focus on shared team goals.

In the area of ethnic diversity, Paletz et al (2004) compared a group of predominantly ethnic minority workers with a group of predominantly white Americans and found no difference in task creativity, but the ethnic minority group reported a more positive working process than the white group. Theory and prior research suggests that the reason for this difference is that ethnic minority groups bring a more collectivist approach and are thus more comfortable working in a team. The results from this study may be specific to the task chosen to measure creativity and the way it was measured – developing a story ending which was rated by literature students – and not transferable to business innovation. This study also found that whites preferred working in teams dominated by ethnic minorities rather than those dominated by other whites. However, there were some major limitations as the participants were mainly female and from an ethnically diverse location.

Hubbard (2004) reports on research in four organisations which found that diverse teams generated more ideas that evolved into products and services than homogenous teams. He points out that while homogenous teams start with better communication due to shared frames of reference, relating and values, these same commonalities limit their output. But diverse team members need to understand each other’s differences in order to overcome conflict and misunderstanding and work effectively together.

Similarly, de Dreu and West (2001), in a study of actual work teams rather than artificial laboratory teams, and involving gender and functional diversity, found that
minority dissent was associated with team innovation only when team members were highly involved in decision making and there was low resistance to change.

The amount of diversity in a group was identified by Richard et al (2004) as another important factor in innovation and creativity. They examined racial and gender diversity in relation to performance in the US banking sector in terms of innovation and productivity, finding that the relationship was complex and non-linear. Innovation was defined as “the propensity of a firm to actively support new ideas, novelty, experimentation and creative solutions in pursuit of a competitive advantage” (p. 257). The researchers investigated the optimum level of heterogeneity needed to maximise the benefit of diverse perspectives and minimise negative outcomes. Innovation and productivity increased once racial diversity of management was over 0.25, a moderate to high level of diversity. There was a similar but less strong relationship for gender and innovativeness in relation to productivity. However, productivity alone was high for both high and low levels of management gender diversity, and lower for mid-level diversity. Thus, the study showed that different levels of gender diversity are related to different positive outcomes with mid-level gender diversity good for innovation but not productivity.

Simmons and Weathers (2007) note that celebrating diversity only as a positive ignores real problems that must be solved. The key focus now, they say, needs to be on providing information on how to deal with differences in a constructive way which helps harness the potential benefits.

Cassell (2004) points out that with the focus on diversity as a business benefit, the views of members of diverse groups on diversity and equality programmes have often been neglected, resulting in negative business outcomes due to high turnover of dissatisfied diverse recruits (Thomas, 2006; McKay and Avery, 2005).

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Gassman (2001), head of R&D at a Swiss-based manufacturing company, writes from personal experience and draws on research literature. He, along with other writers, says that communication and understanding cultural differences around communication are the most significant factors (Cox, 2001; Kiefer, 2007; McMillan-Capehart, 2005). To overcome these types of differences, leaders need to establish a “clear sense of direction” and “common purpose” together with spending time developing trust, cultural tolerance and acceptance. “Building up mutual trust and respect is of central importance” (p. 94).

Kiefer (2007), in an empirical study of top management team diversity and firm performance found that team process is a key variable in diversity outcomes. She says that communication is the key factor that needs to be skilfully managed to achieve positive outcomes and that employees and managers need to be helped to overcome an innate preference for communicating with those who share values, experiences, language and cultural norms.

**Various studies and its Literature Review**

There is debate in the literature about substituting a diversity or business case approach for the traditional EEO or equality approach. The EEO approach was based on concepts of human rights, social justice and fairness with the aim of equitable representation of all groups at all levels and the prevention of discrimination. In contrast, the business case approach argues that diversity will deliver business benefits to organisations in terms of performance and competitive advantage (Cassell, 2004; CIPD, 2005; Kirton and Greene, 2005).

Some say that an EEO emphasis is still needed as, with its focus on business outcomes, a business case approach will not necessarily deliver equal opportunities for all groups. Sinclair (2006) and others argue that the business case approach neutralises differences within and between different groups assuming that all diversities can be managed in the same way rather than recognising, confronting and addressing the facts of exclusion and discrimination.
Kirton and Greene’s (2005) review of academic research finds that most commentators are sceptical about whether the business case approach will deliver equality for all, particularly as many businesses achieve positive business outcomes even though they do not value workforce diversity. They say the business case approach will not necessarily lead to fair or equal representation of disadvantaged groups, even if it does increase the diversity of employees within an organisation as “there are too many cases when it could be argued it will not pay to pursue diversity” (p.128). They therefore argue for the need to continue with an EEO approach of recognising and addressing inequalities and discrimination as well as proactively managing diversity in order to deliver business benefits.

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extent of the US while in New Zealand the business case approach has been strongly argued by the Equal Employment Opportunities (EEO) Trust for many years.

1. Why is diversity/equality an issue

1.1 The demographic driver

The demographic diversity of the workforce and the market is increasing globally and locally within a context of tight labour market conditions.

As evidence shows that both positive and negative business outcomes can arise from diverse workforces, businesses that learn how to effectively manage diversity will be well placed for competitive advantage in the future (Kochan et al, 2002; Monks, 2007). Monks terms this as being “proactively diverse” and “holistic” in approach, seeing equality, diversity and flexibility as mainstream business issues.

1.2 The business case

“Implementation of a workforce diversity policy is a form of investment in intangible assets, especially organisational and human capital”

(European Commission, 2003:13).

According to the literature, the key benefits of diversity are improved staff recruitment and retention, improved creativity, innovation and problem solving, and improved marketing strategies and outcomes, but achieving these outcomes requires proactive diversity management (Cox, 2001).

A key potential business benefit of diverse New Zealand workforces is in matching the growing diversity of our customer base locally and internationally. “Populating teams with the diversity of emerging markets, enabling them to relate to and think like the customer as well as better understand and predict how products and advertising will play out in those cultures, is a smart business decision” (Henry, 2003:59).

The move to a knowledge economy requires a highly educated and skilled workforce. There is evidence that New Zealand lacks some of the key skills required to sustain and expand the economy and that many of these skills will be found in the emerging
economies of Asia. Overseas born and educated New Zealanders are almost twice as likely as those born and educated in New Zealand to have a university degree (22% to 12%). And New Zealanders of Asian and “Other” ethnicity are more likely to have both a tertiary qualification of any sort and a postgraduate qualification.

David Skilling (2007a) from the business think-tank, the New Zealand Institute, also talks of Asian markets, particularly the rising economies of India and China, as being increasingly important to New Zealand. He demonstrates that New Zealand is losing market share in China while other countries are growing their economic relationships with China at a rapid pace, and our exports to Asean countries are declining.

According to Skilling and Boven (2006:1):

“High levels of international economic engagement are vitally important to creating a strong, prosperous New Zealand. As a small economy, New Zealand’s economic future rests on its ability to compete successfully in international markets. Increasing New Zealand’s level of international economic engagement is vital to New Zealand’s future economic success”.

One of the factors identified by Skilling (2007a) as contributing to New Zealand’s poor performance in this area is New Zealand executives’ lack of international experience and a lack of experienced insiders in global markets. A New Zealand Trade and Enterprise survey confirms this, finding that Asian respondents believe New Zealand businesspeople are unaware of the value of long-term relationships and lack knowledge of the Asian market (New Zealand Trade & Enterprise, 2007).

Effective diversity management could be a key factor in improving access and successful relationships in important growing markets. Connecting New Zealand to the world is one of the recommended solutions to New Zealand’s poor performance in international markets and Skilling and Boven (2006:3) say one of the actions needed to achieve this is “strengthening people to people links by being more strategic around the contributions of the migrant community in New Zealand and the Kiwi diaspora abroad”. In addition, Skilling (2007b) says that firms that have higher levels of international economic activity
generate stronger rates of income and productivity growth, in part by learning from international best practice.

Being a diverse employer can also enhance business reputation, thereby attracting top employees, customers and suppliers. Many of the new labour force entrants, both young and old, and those with responsibility for children and other dependants, will be attracted by flexible work schedules, which can in turn allow organisations to improve service delivery over more hours and days. Employee engagement and productivity have also been linked to workplace cultures that value and are supportive of work-life balance (EEO Trust, 2007b).

There are also claims for greater creativity and innovation from diverse teams and that they are better problem solvers. While these are all proactive reasons for adopting a diversity approach, effective diversity management is also associated with reduced litigation costs.

An Irish review by Monks (2007) concludes that effective policies and structures at both national and organisational levels are needed to achieve inclusive workplaces. At the national level New Zealand has the Human Rights Act, supported by the Human Rights Commission (HRC) and, in relation to employment, the Equal Employment Opportunities Commissioner and Unit within the HRC. It also has the EEO Trust which works with employers to improve diversity management. In 2007, 96% of EEO Trust members had policies or strategies for EEO/diversity. However, the level of implementation of these is less pervasive.

2. Evidence of positive business outcomes

2.1 Linking diversity and business outcomes

Due to the multitude of factors that impact on business performance, it is difficult to demonstrate a direct link between workforce diversity and business benefits. Hard data is scarce and commercial sensitivity prevents the publication of some research done within organisations. While reviews of the evidence often conclude that there have been inconsistent results (Monks, 2007; CIPD, 2005; Kirton & Greene, 2005), those that
examine the differences between positive and negative outcomes generally find empirical support for the link between positive business performance and support of diversity. Successful support of diversity depends on how policies and practices are implemented, with supportive management and workplace culture identified as critical factors.

A European Commission review (2003) says there are difficulties in measuring diversity impacts because many of the benefits are context specific, indirect, intangible and qualitative. Along with others such as Mercer (2005) and Ivanecivich and Gilbert (2000), this review concludes that there has been little systematic collection of the data needed for more robust evaluation of diversity impacts. However, while there is a lack of robust academic research, there is a growing body of experiential reports of positive outcomes (e.g. Gassmann, 2001; Lattimer, 1998).

2.1.1 Research approaches to measuring benefits

The first issue is whether it is possible to prove a causal link between having and supporting a diverse workforce and positive business outcomes, and if so, how this can be done given that many other factors affect business outcomes.

The two main approaches to demonstrating a link are a quasi-experimental design approach and a case study approach. The former compares the outcomes for one group of organisations with another group that is similar in all aspects except their approach to workforce diversity. The case study approach compares outcomes before and after introducing a diversity strategy. Results from case studies are context specific so not generalisable to all situations.

Most of the research on the business outcomes of demographic diversity in the workforce focuses on just one or two demographic groups, mostly gender and/or ethnicity/race. Some of it is confined to the diversity within management teams.

The measures of business outcomes used include return on investment (ROI), return on assets, return on equity, net operating profit (linked to reduced costs from turnover, absenteeism), productivity, creativity, market share/penetration, employee engagement/commitment/morale etc.
Overall, a growing body of research supports a link between having and supporting a diverse workforce, including management and boards, and positive business outcomes.

### 2.2 Comparisons between high and low diversity organisations

A number of large studies in the US and UK which compared the business outcomes of organisations that scored highly on diversity practice with those that scored poorly consistently found better business outcomes for the former as detailed in the following examples.

One US study compared 76 organisations classified as minority-friendly (rated on nine variables such as representation on boards, senior management and total workforce, plus having diversity programmes and other diversity positive practices) with those that rated poorly, finding that the minority-friendly organisations achieved higher than average performance in terms of return on investment, return on sales and return on equity (Von Bergen et al, 2005).

A UK study based on 140 leading private and public organisations found that 80% reported a link between good diversity practice and better business performance in terms of improved productivity, better service delivery and cost savings (Rutherford and Ollerearnshaw, 2002:110).

Analysis of the US DiversityInc top 50 companies (calculated on measures of CEO commitment, human capital, corporate communications, and internal, external and supplier diversity) found links between good diversity practice and retention of minority workers, and better stock performance. The top 10 in the DiversityInc list score from 91-94% on retention for all ethnic groups and women, compared with around 70-75% for those in the bottom 10 of the list (DiversityInc, 2006:33-34). DiversityInc’s top 50 in 2005 and 2004 also outperformed Standard & Poor’s top 500 companies on stock performance. For the 43 publicly traded companies in the DiversityInc top 50, the return rate was 23.5% higher than Standard & Poor’s top 500 measured over 10 years with dividends reinvested. Such findings have been replicated by independent researchers such as Weigand (2007) and Erhardt et al (2003).
As evidence of the bottom-line impact of diversity using the comparison of groups method, Smith (1999) cites a study of stock performance of companies receiving awards for their diversity initiatives with those facing discrimination litigation, and found that the positive diversity organisations outperformed the negative ones.

While these examples suggest a link between a commitment to diversity and good management, some have questioned whether this is purely an association or a causal link and, if so, in which direction. Perotin et al’s (2003) investigation of the reasons for adopting EEO policies concluded that the association with productivity is not a case of reverse causality, i.e., more productive firms are more likely to have EEO policies, as the strength of correlation increased with the number of measures to achieve EEO. They do conclude though that both more productive firms and firms that have EEO policies are better managed. These findings also demonstrate a lack of negative or downward trends in performance associated with increased workforce diversity or diversity and equality policies and programmes.

2.3 Case study examples of business links

Cox (2001) used a case study of a large multinational aluminium producer to demonstrate positive outcomes from his diversity model (Figure 1 see over) with more than 90% of his measures showing improvement 18 months after implementation. He also demonstrated positive relationships between diversity and productivity and work quality.

Kirton and Greene (2005) give the example of Procter and Gamble, a large UK-based firm which has a three-pronged Diversity Action Plan made up of strategies to attract, develop and retain staff. The initiatives include:

- sex@work.shop, a training programme which proved to be the most powerful tool in fostering diversity learning and understanding
- Gender pay equity
- Achieving good awareness of diversity related policies
- Global policy of internal promotion only
- Outreach to minority ethnic and disabled groups
- Work-life provisions
After two years, this Diversity Action Plan resulted in increased productivity, record breaking sales, high staff morale, high staff retention and enhanced external reputation.

Policies that emphasise equality rather than diversity were found by Monks (2007) to be associated with employee engagement (commitment, satisfaction, retention) and greater productivity. Other studies cited by Monks show positive links between the gender and race diversity of senior management and directors, and business outcomes such as return on investment.

Over a 10-year period, leading New Zealand employers have provided statistics and examples in conjunction with their EEO Trust Work & Life Award entries. Some of this material cannot be published due to business confidentiality.

The following examples are drawn from recent winners of the EEO Trust Work & Life Awards:

- Support for work-life balance by Franklin Kindergarten Association resulted in savings of $300,000 over a three-year period due to staff returning to work after parental leave.
- A staff health and wellness initiative at Southern Cross resulted in improved staff satisfaction and motivation. Absenteeism was reduced by 2.8% in six months, saving Southern Cross three times its investment in the initiative.
- A creative approach to recruiting and retaining skilled migrants enabled Beca Transportation to grow by 30% in one year at a time when similar organisations were losing staff to their competitors in New Zealand and overseas.
- Work-life initiatives improved retention of graduates at engineering consultancy Harrison Grierson, saving the firm $1000 per graduate per annum.
- A positive approach to diversity has resulted in substantial benefits for Mount Albert Pak ‘n Save. Low staff turnover saves the supermarket approximately $100,000 per annum.
- Work-life initiatives have helped law firm Meredith Connell retain valued staff. Meredith Connell conservatively quantifies cost savings from low staff turnover at $360,000 per annum.
2.4 Other methods and approaches

A range of other research approaches have been used to assess the business benefits of workforce diversity, from self-report surveys to multi-method approaches. These have been applied across large numbers of organisations but no control group comparison has been made.

Monks (2007) reports on three studies undertaken for the European Commission covering 200, 761 and 3000 organisations to examine the costs and benefits of workforce diversity policies. Using a range of research methods from surveys to case studies, these studies identified four core areas of benefit: human capital, market access, enhanced reputation and employment relations. These are achieved through attracting a wider range of quality staff to address labour shortages, matching the diversity of new markets, and the reduced costs that result from better employment relations.

A European Commission (2003) review of the costs and benefits of diversity policies involved surveying 200 companies in four countries; eight case studies of diversity promotion programmes in six countries, and nearly 50 interviews with key informants from business, government, NGOs, unions and equality agencies. The review found that companies that implement diversity policies identify important benefits that strengthen long-term competitiveness and sometimes result in improved performance in the shorter term. The most frequently identified benefits (by more than half the organisations surveyed) related to enhanced reputation, attraction and retention of highly talented people, improved motivation and efficiency, improved creativity and innovation, enhanced service levels and customer satisfaction, and helping to overcome labour shortages.

In Rajan et al’s (2003) UK study, half of 486 companies which had had diversity initiatives for about three years reported attracting talent from wider sources, improved employer image and a more innovative workforce with a greater variety of approaches and styles. Forty per cent of the companies reported greater employee commitment, higher productivity, improved customer satisfaction and retention, improved employee
retention and an increased range of customers in new markets. A third of the participating companies reported increased sales and/or market penetration.

A US Society for Human Resource Management (SHRM) survey of its members (Esen, 2005) found that of the 17% who responded, 38% measured the effectiveness of their diversity practices and 82% of these found them effective (17% found them very effective) through reducing costs from staff turnover, absenteeism and low productivity; decreasing complaints and litigation, and improved public image.

2.5 Race, ethnicity, culture

Much of the research focuses only on gender and/or ethnicity/race.

Herring’s (2006) study of 251 for-profit organisations showed that greater racial diversity was associated with better outcomes in sales revenue, number of customers, market share and profitability. For example, 72% of those with high racial diversity had greater than average market share and profitability compared with just over 50% of those with low racial diversity.

However, Roberson and Park’s (2007) study of the relationship between the racial diversity of top management and financial performance in Fortune 500 top diversity companies showed that low levels of racial diversity (up to 22%) are associated with declines in financial performance but, as racial diversity increases, financial performance improves. They suggest that at low levels of racial diversity, true diversity practice is not encouraged. This study also found that only one measure of financial performance (book to market equity) was positively related to diversity reputation; the other measures (revenue and net income) showed no relationship to diversity reputation.

2.6 Gender

A leading study on the relationship between gender diversity in top management teams and financial performance was carried out by Catalyst (2004). The US study used 353 Fortune 500 companies for which sufficient gender diversity and financial performance data were available between 1996 and 2000. Two measures of financial performance
were used: return on equity and total return to shareholders. Return on equity was 35% higher and total return to shareholders 34% higher in companies with the highest representation of women in their top management teams than those with the lowest female representation. The higher performance of teams with women held true across the industry groups represented in the study.

These findings were repeated in a study carried out by the international consulting firm McKinsey and Company (2007) which demonstrated that companies with three or more women in senior management scored higher on nine excellence criteria compared with those with fewer than three women. This fits with other studies showing that the best business outcomes are achieved once a certain level of diversity is reached.

A Danish study of 2500 firms from 1993-2001 also found rigorous statistical evidence of a link between female representation at top executive and board level and firm performance as measured by gross profit, net sales, contribution margin, operating income and net income after tax. But these outcomes were dependent on the qualifications of the women and the measure of performance used. Gross profit showed a higher positive effect than other measures, and results were stronger when the women had a university degree (Smith et al, 2006). Results were also limited to elected board members.

The authors of the McKinsey report conclude that “while these studies do not demonstrate a causal link, they do give us a factual snapshot that can only argue in favour of greater gender diversity” (2007:14). And Catalyst (2004) notes that a variety of initiatives interconnect in a synergistic way. For example, a leadership team that is “knowledgeable enough to leverage diversity is likely to be creating effective policies, programs, and systems as well as a work culture that maximise a variety of its assets and create new ones” (p. 12).

A Danish study by Smith et al (2006) tried to test whether well managed, profitable firms are more likely to “risk” employing women at senior levels, rather than the reverse causal effect. They conclude, as did Perotin et al (2003), that this is not the case but that it may be that women are attracted to firms with good management, part of which involves effective diversity management.
2.7 Creativity and innovation

Another suggested link between diversity and performance relates to improved innovation and creativity, however, this focuses more on functional or cognitive diversity than demographic diversity. A comparison of the top and bottom reasons given for adopting diversity policies and practices in Australia, the UK and the US showed that creativity, innovation, diversity of thought and enhanced decision making rated below attracting and retaining staff and legal pressures (EEO Trust, 2007a). However, a CIPD 2005 report shows that around 60% of companies with diversity policies believed that innovation and creativity improved as a result.

No study or review identified for this report showed a clear, direct relationship between demographic diversity and innovation, creativity, problem solving or decision making. Most of the studies were small and involved only one or two specific measures of diversity and creativity or innovation. They are therefore case specific rather than generalisable to all types of diversity and all circumstances. What they do demonstrate though is that in order to achieve better outcomes than homogenous groups, organisations need a management style and a workplace and team culture that is open to change and encourages participation by women and minorities. “The approach to diversity and not the diversity in itself determines the actual positive and negative outcomes” (Lane & Di Stefano 1992 cited in Gassmann, 2001, p. 93).

As mentioned above, the degree of diversity has also been shown to be a factor in the links between diversity and innovation or creativity (Richard et al, 2004). Mannix and Neale in their 2005 review conclude that demographic diversity has an inherently negative effect on group functioning, but underlying differences such as experience, education and personality are more positively linked to performance through facilitating creativity and group problem solving, but only when the group process is carefully controlled and through mediators such as cohesion, communication and conflict management. They also note the need to understand how minority opinion has its effects and thus how to maximise effectiveness, for example, through team leader support for listening to minority views and setting up a group norm of openness and learning from each other.
**Bassett-Jones (2005)** focused his analysis of existing research findings on high-commitment organisations that base their management approach on outcomes rather than process and on trust rather than heavy supervision. Aspects of diversity considered included ethnicity, gender, function, ability, language, religion and lifestyle. He found, as does this review, that positive and negative outcomes are associated with diversity, as new management styles are needed to achieve positive outcomes. He also refers to **Leonard and Sparks (1999)** in claiming that “it takes more than demographic or ethnic diversity to result in creativity that leads companies to perform better” (**Bassett-Jones, 2005:170**). Leonard and Sparks claim that in order to spark creativity and innovation, special management skills are required to overcome conflict and provide toleration and support for dissent. Process rules and communication skills are also needed as well as an organisational culture that is conducive to maximising a team’s ability to think divergently.

**Cox (2001)** cites case studies comparing diverse and homogenous groups, with and without diversity training, and found that diversity training and proactive management determined whether diverse groups outperformed homogenous groups on problem solving tasks. His own research comparing ethnically diverse groups with all-Anglo groups showed that diverse groups were more creative and innovative in completing a marketing task which involved brainstorming solutions and ideas in relation to a tourist marketing problem (**McLeod, Lobel & Cox, 1996**). Groups were compared by rating the quality of the ideas in terms of effectiveness and feasibility.

**Lattimer (1998:5)** reviewing literature alongside internal empirical and applied organisational research, concluded that “diverse groups and teams significantly outperform their homogenous counterparts, especially in problem-solving and decision-making” and that the concerns and reservations about the efficiency of diverse work teams are “greatly exaggerated”. Initial issues of trust and communication need to be professionally facilitated and worked through in order to capitalise on the benefits of diverse perspectives and ways of working. Lattimer also finds that strong pressure to conform to existing norms and ways of doing things alienates those who are different, see things differently and do things differently, and thereby loses the value of their different perspective by suppressing it, frequently causing them to leave the organisation. Lattimer
also cites, along with others such as McMillan-Capehart (2005) and Gassmann (2001), the need for recognition and appreciation of different values together with a focus on shared team goals.

In the area of ethnic diversity, Paletz et al (2004) compared a group of predominantly ethnic minority workers with a group of predominantly white Americans and found no difference in task creativity, but the ethnic minority group reported a more positive working process than the white group. Theory and prior research suggests that the reason for this difference is that ethnic minority groups bring a more collectivist approach and are thus more comfortable working in a team. The results from this study may be specific to the task chosen to measure creativity and the way it was measured – developing a story ending which was rated by literature students – and not transferable to business innovation. This study also found that whites preferred working in teams dominated by ethnic minorities rather than those dominated by other whites. However, there were some major limitations as the participants were mainly female and from an ethnically diverse location.

Hubbard (2004) reports on research in four organisations which found that diverse teams generated more ideas that evolved into products and services than homogenous teams. He points out that while homogenous teams start with better communication due to shared frames of reference, relating and values, these same commonalities limit their output. But diverse team members need to understand each other’s differences in order to overcome conflict and misunderstanding and work effectively together.

Similarly, de Dreu and West (2001), in a study of actual work teams rather than artificial laboratory teams, and involving gender and functional diversity, found that minority dissent was associated with team innovation only when team members were highly involved in decision making and there was low resistance to change.

The amount of diversity in a group was identified by Richard et al (2004) as another important factor in innovation and creativity. They examined racial and gender diversity in relation to performance in the US banking sector in terms of innovation and productivity, finding that the relationship was complex and non-linear. Innovation was defined as “the propensity of a firm to actively support new ideas, novelty,
experimentation and creative solutions in pursuit of a competitive advantage” (p. 257). The researchers investigated the optimum level of heterogeneity needed to maximise the benefit of diverse perspectives and minimise negative outcomes. Innovation and productivity increased once racial diversity of management was over 0.25, a moderate to high level of diversity. There was a similar but less strong relationship for gender and innovativeness in relation to productivity. However, productivity alone was high for both high and low levels of management gender diversity, and lower for mid-level diversity. Thus, the study showed that different levels of gender diversity are related to different positive outcomes with mid-level gender diversity good for innovation but not productivity.

2.8 Studies showing neutral or negative outcomes

An Australian study of women in the finance industry showed no correlation between the equal opportunity approach that was implemented and the desired intermediary outcome of increased numbers of women in management (French and Strachan, 2007). It is a legislative requirement in Australia for organisations of 100 or more employees to implement EEO programmes and report on outcomes. The finance industry, with a high proportion of female workers (78%), has consistently done better than non-finance organisations, with 25% performing so well they have had their reporting requirements waived. Yet there has been little movement on the proportion of women in management (15%-17%) during the past 20 years. The need to relocate in order to progress to management in banking is a hindrance for women as is the culture of long hours.

In her review of diversity management practice in Australia, Sinclair (2006) concluded that a compliance approach, as applied in the finance sector studied by French and Strachan, rather than a benefits approach to diversity, was linked to poorer outcomes. Yet Perotin et al’s (2003) research (surveys in the UK and Australia of over 2000 organisations in each country) found that the large Australian organisations that were under the greatest level of legislative pressure to have EEO policies showed the best business outcomes. Although some measures of productivity were qualitative, Perotin et al (2003) say these measures have been demonstrated to correlate well with quantitative assessments.
3. Factors associated with negative outcomes of diversity

Simmons and Weathers (2007) note that celebrating diversity only as a positive ignores real problems that must be solved. The key focus now, they say, needs to be on providing information on how to deal with differences in a constructive way which helps harness the potential benefits.

Kirton and Greene (2005) conclude that overall, at a national rather than organisational level, EEO and diversity policies and practices have made little headway in reducing or removing the inequalities and disadvantages faced by the groups they were designed to assist. This is due to a range of factors from societal attitudes and norms, and institutional structures, as well as a lack of real implementation and culture shift within workplaces.

Cassell (2004) points out that with the focus on diversity as a business benefit, the views of members of diverse groups on diversity and equality programmes have often been neglected, resulting in negative business outcomes due to high turnover of dissatisfied diverse recruits (Thomas, 2006; McKay and Avery, 2005).

A similar point is made by Cox:

“There is a crucial distinction between merely having diversity in the workforce and developing the organisational capacity to leverage diversity as a resource. The challenge of diversity is not simply to have it, but to create conditions in which its potential to be a performance barrier is minimized and its potential to enhance performance is maximized.” (Cox, 2001:15-16)

Australian professor of management Sinclair (2006), identifies poor business outcomes related to workforce diversity as due to:

- Entrenched discriminatory attitudes and beliefs
- Conflict between the views and rights of different diverse groups, eg. women and some different ethnic groups
- Inability to change workplace culture
- Responsibility marginalised to an overworked HR person
Driven by compliance or being part of a multinational rather than a real commitment to diversity and change
Lack of awareness of existing systemic discrimination and the need for structural change
Defining the problem as managing other people’s differences rather than requiring change by those in power
An aim of harmony and consensus that inhibits the benefits of conflicting ideas and diverse ways of thinking and doing
Diverse people being placed in the difficult position of needing acceptance by the leaders of the status quo while also needing to challenge that status quo.

Common negative outcomes or problems encountered in working with diverse teams and workforces are conflict, poor communication and greater length of time to arrive at solutions, and increased management costs (CIPD, 2005; Monks, 2007). The keys to overcoming these are good management, education and training, and developing a climate of trust and shared purpose. Communication and conflict are discussed below.

3.1 Poor communication

Gassman (2001), head of R&D at a Swiss-based manufacturing company, writes from personal experience and draws on research literature. He, along with other writers, says that communication and understanding cultural differences around communication are the most significant factors (Cox, 2001; Kiefer, 2007; McMillan-Capehart, 2005). To overcome these types of differences, leaders need to establish a “clear sense of direction” and “common purpose” together with spending time developing trust, cultural tolerance and acceptance. “Building up mutual trust and respect is of central importance” (p. 94).

Kiefer (2007), in an empirical study of top management team diversity and firm performance found that team process is a key variable in diversity outcomes. She says that communication is the key factor that needs to be skilfully managed to achieve positive outcomes and that employees and managers need to be helped to overcome an innate preference for communicating with those who share values, experiences, language and cultural norms.
3.2 Conflict

Conflict can be a barrier to collaboration when different people work together, whether they are demographically different or bring different functional perspectives. It is not necessary or even desirable to avoid or eliminate conflict as conflict of perspectives can produce the added value from diversity, but conflict requires effective, constructive management “to transform it from a major liability into a significant asset” (Weiss and Hughes, 2005:94).

Kiefer (2007) says two types of conflict are related to diversity. Positive or constructive conflict is conflict of ideas and ways of doing things that ultimately leads to better solutions or outcomes. Negative conflict is conflict of emotions, personalities and relationships that needs to be managed so as not to get in the way of the potential benefits arising from diversity of thought, values, experiences and perceptions.

Chatman et al’s (1998) research on student groups suggests that conflict is beneficial and is related to higher productivity in contexts or organisations where teamwork and cooperation are valued and rewarded over individual effort and initiative. A review of literature by McMillan-Capehart (2005) reached similar conclusions; that to benefit from the positive outcomes of diversity and reduce the negative, organisations need to implement individualised socialisation tactics within a collectivistic organisational culture. This would involve appreciating individual difference while emphasising cooperation and shared purpose or goals.

Cohesion, which is the emotional attachment of group members to each other, is also aided by homogeneity of the group. Lack of cohesion results in highly fragmented groups and hence negative productivity outcomes. Mutual understanding, attraction and acceptance lead to higher engagement and free expression of ideas and information. However, too much cohesion to the point of conformity pressure equals group think and results in negative process outcome. Norms are established and adhered to in order to keep things comfortable and “outsiders are ignored and deviant ideas or behaviours disregarded or punished” (p. 28). The ability to make quality decisions is, therefore, diminished. Those on the outer are also likely to leave the organisation. Kiefer (2007) found that CEOs frequently complain about groupthink.
4. How to achieve positive outcomes from diversity

4.1 Dual approach – diversity plus equality

Kirtton and Greene (2005) recommend a two-pronged business case and EEO approach and conclude their review by identifying examples of organisational and government models and practices that can help overcome barriers to equality.

The first component of such an approach is the need to retain a focus on group inequalities and supports rather than on individuals. The second is to integrate equality and business case approaches in order to capitalise on the strengths of each while using one to ameliorate the weaknesses of the other. For example, a weakness of the business case approach is its individual focus but a strength is its focus on valuing difference as a positive attribute to be utilised. A strength of the equality approach is focusing on group inequalities that arise and are perpetuated through disadvantage, discrimination and differing from the norm.

The third component of the dual approach is to broaden the agenda of the business case to link with wider issues of social justice and social responsibility. They point out that the Scandinavian countries have better gender equality through social justice and legislative approach than those in the US which use just a business case approach.

The final component recommended by Kirtton and Greene (2005) is changing workplace culture to a new model of work which is not based on the traditional norm of the ideal worker as white, male, able-bodied, full-time and without outside responsibilities.

4.2 Positive workplace culture

The practice of achieving effective diversity as opposed to having a diversity and equality policy, is summed up in this quote from the British Cabinet Office, cited in the CIPD report (2005:p.7).
“To achieve true diversity an organisation may have to make a significant change to its culture. As well as developing a vision of the future in which diversity is valued and thriving, the organisation may need to examine its history and challenge present practice, by looking behind the policy statements to examine the reality experienced by people in their daily work.”

The need for workplace culture change in order for diversity initiatives to be effective is emphasised by many other researchers and reviewers (Kirton & Greene, 2005; Thomas & Ely, 2005; Sinclair, 2006). In New Zealand, Watts and Trlin (2000) researched over 300 private sector companies and government organisations on the employment of immigrants from non-English speaking backgrounds, finding that the key factors in productive diversity were recognition of the reality of diversity, viewing that diversity as an advantage, assisting with positive settlement, and, within the workplace, establishing a culture that fosters productive diversity.

Diversity initiatives without a supporting infrastructure result in failure and consequent resistance. From her review of the evidence on workplace diversity and equality, Monks (2007) identifies the three key characteristics of inclusive workplaces as being freedom from discrimination, valuing diversity and proactively pursuing equality. These characteristics need to be demonstrated through a set of consistent policies which are supported by organisational practices at all levels.

4.3 Valuing difference versus cultural fit

Cox (2001:12) says the main reasons for failure to effectively manage diverse workforces are misdiagnosis of the problem together with a failure to understand “the shape of the learning curve for leveraging diversity in the workplace”.

Misdiagnosis of the problem and subsequent solution occurs when diversity is interpreted as employing demographically different people who are expected to fit the norms of the existing workplace culture rather than the workplace recognising, valuing, encouraging and rewarding difference. Traditional management styles that look for and encourage cultural fit lead to high turnover of people who are different rather than making good use of their difference.
Cope and Kalantzis (1997) in their model for productive diversity emphasise shifting away from focusing on cultural fit or selecting on sameness to focusing on recognising and valuing difference and seeking complementarity. This applies not just to technical skills but to other attributes including experiences, life history, style of operation, interpersonal skills and styles, ways of thinking and communicating, languages and links to community networks. Instead of workplace culture being about “sameness and shared values”, productive diversity requires that workplace culture be seen as being about “synergy, reciprocity and change” (p.16). A case study example of the productive approach involves AMP which has drawn on the diversity of its workforce to better meet the needs of its diverse customer base. They have done this by being aware of, celebrating and leveraging the particular experiences and strengths of individuals, improving team dynamics, challenging people to think creatively, sharing information and building a sense of community among their diverse workforce.

Inclusion is another key aspect of the new approach to benefiting from diversity. Rather than avoiding or ignoring difference or encouraging conformity to the dominant norms, inclusion means “encouraging individuals to express their differences and use them to facilitate better decision making and problem solving” for competitive advantage through better service, product quality and productivity (Smith, 1999 p. 1).

4.4 Models for supporting diversity

Cox (2001) has developed, tested and measured the outcomes of a model for changing organisational culture so it supports diversity. The five key elements of the model are leadership, research and measurement, education, alignment of management systems and follow-up. From her review of best practice in diversity implementation, Monks (2007) developed a similar four-stage integration model for diversity and equality that involves integrating diversity into all stages of strategic planning and business policies and practice, along with measuring progress and outcomes against goals and benchmarks for which managers are held accountable. Employees should be included in its design and implementation so that ownership and responsibility for making it work are spread throughout the organisation.
Figure 1: A Strategy for Meeting the Challenge

**Leadership**
- Management policy
- Vision
- Organisation design
- Personal involvement
- Communications strategy
- Strategic integration

**Follow-up**
- Accountability
- Continuous improvement
- Reporting process for performance results
- Knowledge management programme

**Research & Measurement**
- Preliminary diagnostics
- Comprehensive culture assessment
- Baseline data
- Benchmarking
- Measurement plan

**Alignment of Management Systems**
- Work schedules and physical environment
- Orientation
- Recruitment
- Performance appraisal
- Compensation and benefits
- Training and development
- Promotion

**Education**
- On managing change
- Development of in-house expertise
- Modification of existing training
- Address all three phases of the learning process

Cox (2001) emphasises the need to consider the interdependent nature of an organisation’s systems, policies and procedures to ensure that they are aligned with a diversity strategy which is integrated into the overall organisational strategic goals. Alignment of management systems includes work schedules, the physical environment, orientation, recruitment, performance appraisal, compensation and benefits, training and development, and promotion. Cox (2001:26) describes the process as looking at each of these areas “through the lens of diversity” to see how they might better reflect the demands and potential of a diverse workforce.

Richard and Johnson (2001:3) also note that a combination of diversity policies and practices is needed for effective diversity management. “Simply one or two activities in support of diversity fails to constitute a diversity orientation. Rather, these activities must work together and reinforce one another”. Similarly, Rutherford and Ollerearnshaw’s (2002:2) research on 140 leading UK organisations found that full-scale integration and on-going monitoring produced better outcomes than piecemeal measures. Their research shows that two years of a comprehensive approach has as much or more effect than 20 years of piecemeal change.

Success depends on integrating diversity policies into the overall organisational strategy and culture rather than leaving diversity implementation to HR departments and line managers (Monks 2007; Mor-Barak, 2005; Rutherford & Ollerearnshaw, 2002; Rajan et al, 2003). Monks points to the value to large organisations of having a diversity council comprising people from all levels and sectors of an organisation to spread awareness, commitment and responsibility throughout the organisation. This is discussed further on the next page.

The CIPD report (2005) presents a similar list of key components for successful management of diversity from a North American and European study. These are:

- Top management support through belief in diversity as a market opportunity rather than a business threat.
- Corporate values informed by diversity principles
- Integration of HR system at corporate strategy level
• Accept diversity management is a long-term transformational change process
• People are viewed as capital assets and knowledge workers rather than business costs.

Other lists of key steps to achieving positive outcomes from diversity initiatives include commitment and leadership by senior management; manager accountability; measurement of progress; integration and targeting to specific business aims; support networks; mentoring for women, minorities, and any other under-represented groups, and practical behavioural based training (Rajan, 2003; Rutherford & Ollearensaw, 2002; Layne, 2002; Hyter & Turnock, 2005; Opportunity Now, 2004; McKay & Avery, 2005; Watts & Trlin, 2000; Mor-Barak, 2005; Kochan et al, 2002; Catalyst, 2002b).

4.5 Leadership

The importance of commitment, support and role modelling by senior management, according to Monks (2007) is the power it brings to initiate and influence organisational change by demonstrating that equality and diversity are highly valued.

Examples of strong diversity leadership given by Cox (2001) include a senior manager prioritising a diversity steering group meeting over an out of town meeting, and this being accepted by the General Manager, and top management attending the opening and close of every diversity awareness and training session.

In a study of 708 organisations which assessed how different interventions affected the diversity of management roles, Kalev et al (2006) found that efforts to moderate managerial bias through diversity training and diversity evaluations were less effective in increasing the numbers of white women and black people in management than mentoring and networking, or establishing managerial responsibility and accountability for diversity. The latter tactic resulted in the largest increases in managerial diversity.

They found that diversity committees were the most effective way to spread responsibility for diversity throughout the organisation. Diversity committees were associated with a 30% increase in black women in management, compared with a 14% increase from having diversity staff and a 6% decrease from having a diversity training programme. The numbers of white women in management increased by 14% with a
diversity committee and by 9% with diversity staff. There was no change as a result of diversity training. For black men, the results were 10%, 14% and 6% respectively.

Table 1: Increased diversity of management: managerial responsibility compared with training

<table>
<thead>
<tr>
<th>Increase in proportion in management</th>
<th>Diversity committee</th>
<th>Diversity staff</th>
<th>Diversity training</th>
</tr>
</thead>
<tbody>
<tr>
<td>White women</td>
<td>14%</td>
<td>9%</td>
<td>0 (no change)</td>
</tr>
<tr>
<td>Black women</td>
<td>30%</td>
<td>14%</td>
<td>-6% (decrease)</td>
</tr>
<tr>
<td>Black men</td>
<td>10%</td>
<td>14%</td>
<td>+5% (increase)</td>
</tr>
</tbody>
</table>


Interestingly, Kalev et al found that organisations are more likely to have diversity training than diversity committees or diversity staff.

Monks’ (2007) review also emphasises the importance of having a diversity co-ordinator or council. And Hyter and Turnock (2005:176) found that organisations that are most successful in achieving inclusion and development goals are those with a senior person dedicated to making those goals a reality.

4.6 Management style, role of managers and accountability

As highlighted above, diverse workforces require new approaches to management. Monks (2007:13), says that diversity management is about “maximising employee potential plus equal opportunities”. This involves a culture shift in management style from controlling to trusting, which in turn involves a shift from focusing on inputs and processes (time in office, traditional ways of doing things) to outcomes.

Line managers have been identified as being critical to the success of diversity policies. Line managers who see diversity and equality as legal compliance or marginal issues can undermine policies by rewarding traditional ways of working, refusing access and not informing staff about diversity initiatives (Monks, 2007; McPherson, 2006; Kirton & Greene, 2005). Research into why managers are unsupportive identifies lack of
knowledge, training and support, together with under-resourcing for the short-term costs that may be incurred. Drawing on research on 500 UK companies with diversity initiatives, Rajan et al (2002) identified that barriers to managers implementing diversity policies include time pressures and other perceived priorities, attitudes and inexperience in dealing with diversity, and a culture of presenteeism and long hours. Similar problems were also found by Wentling (2004) and Mor-Barak (2005) who recommends training for managers alongside accountability.

Kirton and Greene (2005) also note that because of the unequal representation of certain groups of employees in management, line managers and senior managers tend to be disproportionately from the dominant group, which makes implementation of a diversity and equality policy inherently problematic. In a New Zealand example, the EEO Trust (2007b) employee engagement survey found that managers had more positive perspectives of their workplace culture and initiatives than staff did. Kirton and Greene (2005) cite a study that found that line managers generally perceive disabled employees as a problem or burden. To overcome this, senior managers need to be convinced of the benefits of effective diversity management, and line managers need to be made accountable for implementing and achieving it, and provided with appropriate training and support. The need for accountability by management is also noted by others (Monks, 2007; Schmidt, 2007; Simmons & Weathers, 2007).

Valuing people is critical to effective diverse workplaces, according to the CIPD report (2005). They use the concept of a psychological contract between employers and employees which is based on the adoption by employers of people management practices such that employees feel a sense of fairness and trust which encourages employee engagement. Again, this involves a fundamental shift in management style from control to trust.

4.7 Training in managing diversity

Line managers who are charged with implementing equality and diversity policies need training and support, while those managing diverse teams need special support and training to enhance potential benefits and overcome any conflict and communication problems.
Smith (1999:12) points out that training needs to go beyond increasing awareness of diversity to developing the skills needed “to resolve group conflict and engage in effective problem solving and decision making with diverse groups”.

Cox (2001) recommends tailored training using interactive, practical methods. However, Kalev et al’s (2006) review of research suggests that interactive workshops often generate a backlash, and their research did not show strong positive outcomes from training. However, Cox notes that successful training depends on skilled facilitators and preparation of the participants in terms of the purpose and expectations of the training.

4.8 Measurement

The importance of measuring the success of diversity initiatives is agreed on by all the writers in this field. Monks (2007) identifies three key functions of diversity and equality measurement: measurement of an activity drives action (what gets measured gets done), measurement is necessary to justify costs, and measurement is necessary to monitor progress on goals and benchmarks. A fourth, noted by the European Commission (2003) review, is to learn what works and why in order to drive investment decisions in the future.

On the importance of measurement, Simmons and Weathers (2007:33) say:

“By constantly taking the temperature of corporate diversity programs and looking more closely at the facts at hand, business leaders can channel investment into their companies’ diversity efforts in a more focused, more productive way.”

4.9 Managing diverse teams

In terms of team-specific approaches to diversity management, time is needed to build a team culture and develop positive communication styles. This involves training team members and managers in understanding and respecting the value of diversity, developing skills in cross-cultural communication and facilitating constructive conflict.
From interviews with diversity practitioners, Linnehan et al (2003) identified five behaviours which may enhance the effectiveness of a diverse organisation:

- Interacting frequently with members of other groups
- Discussing issues related to diversity
- Discussing potentially difficult issues with members of other groups
- Avoiding the use of offensive language
- Confronting and educating those who use offensive language or tell offensive jokes and stories.

Case study – Brent Council (Godwin, 2006).

Brent Council in the UK wanted to increase the numbers of women in management. The council used a number of initiatives including using the CEO as gender equality champion, training women to serve on recruitment panels, developing mentoring programmes to boost confidence and skills, offering a work-life scheme that included managers being obliged to consider requests for flexible working, and creating empathetic management aimed at creating a culture that takes account of people’s caring responsibilities. All this was in the context of a wider approach to promoting diversity in general.

Outcomes after three years included an estimated saving of 1.5 million pounds in reduced absenteeism, reduction in staff turnover from 24% to 12%, and an increase of more than 50% in the numbers of women in higher paying positions.

The key lessons learned included the need for extensive communication of the reasons for the new approaches and the importance of working with line managers to overcome any resistance. This involved emphasising that new working arrangements could be on a trial basis, and providing training and support in managing staff on different work patterns.