

Managing Diversity At The Workplace In A Global Economy: Challenges & Opportunities

**Minakshi Nagar*

INTRODUCTION

Diversity is a very sensitive topic and is discussed under such labels as civil rights, affirmative action, reverse discrimination, quotas, racism, and sexism. All human organizations have "differences". People are different not only in gender, culture, race, social and psychological characteristics, but also in their perspectives and prejudices. As the world continues the process of globalization, workplace diversity is becoming a common phenomenon. Managing diversity is an on-going process that unleashes the various talents and capabilities which a diverse population brings to an organization, community or society, so as to create a wholesome, inclusive environment, that is "safe for differences", enables people to "reject rejection", celebrates diversity, and maximizes the full potential of all, in a cultural context where everyone benefits. Some studies suggest that it means approaching diversity at three levels simultaneously: individual, interpersonal, and organizational. The traditional focus has been on interpersonal and individual aspects alone. At its best, it means getting from employees not only everything you have a right to expect, but everything they have to offer (R. Roosevelt Thomas).

OBJECTIVES OF THE PAPER

- 1) To explain the concept of diversity and the reasons for its emergence.
- 2) To examine the impact of diversity on the business performance and to analyze the factors influencing the impact of diversity.
- 3) To highlight the various business strategies for managing diversity in the workplace.

METHODOLOGY

The study is purely based on secondary data collected from literature review of previous studies related to diversity in the workplace and diversity management articles in journals, business magazines and newspapers. Review of pros and cons of diversity and business strategies to manage diversity at the workplace was done through the articles published in journals and magazines. The current review is the result of a rigorous study done during January - March 2011.

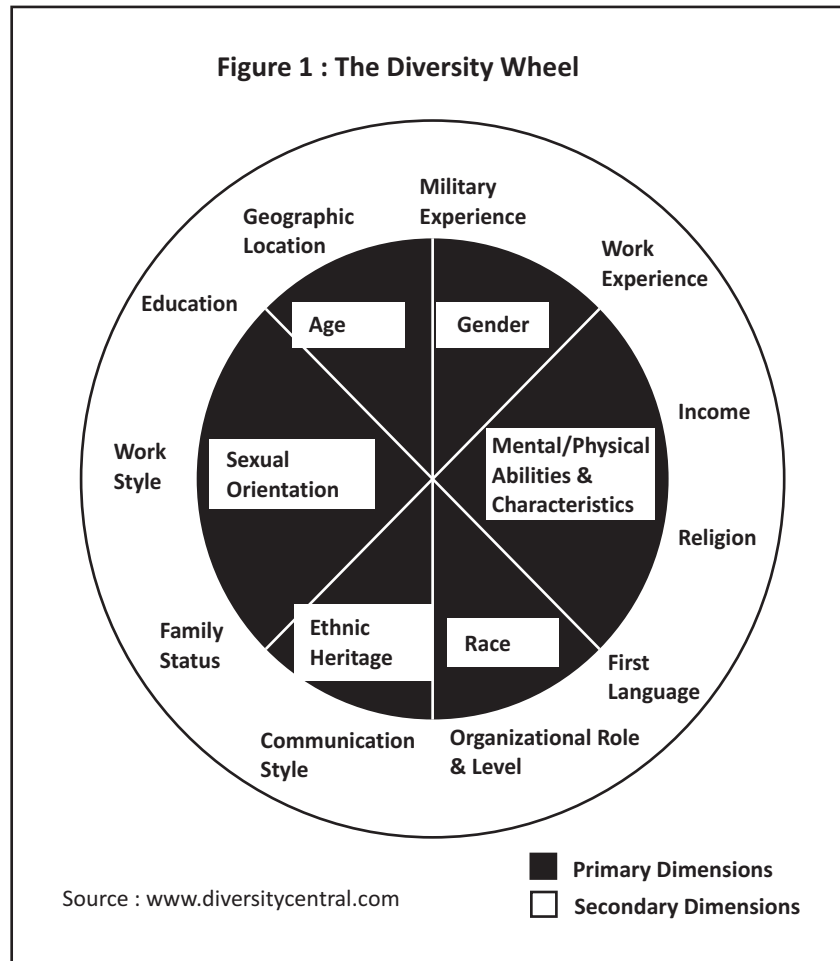
LITERATURE REVIEW

✿ **Defining Diversity :** In the Corporate Leadership Council's research on Attracting and Retaining Critical Talent (2006), diversity is one of the 38 attributes, which is vital for attraction and retention in an increased labour market competition and complexity. Since there is no "one-size-fits-all" approach for overcoming as well as managing the diversity challenges in a global workforce, organizations need to acclimatize from various best practices and accordingly tailor their diversity programs.

The first step in developing a diversity program is to understand what "diversity" means to the organization. Diversity is generally defined as acknowledging, understanding, accepting, valuing, and celebrating differences among people with respect to age, class, ethnicity, gender, physical and mental ability, race, sexual orientation, spiritual practice, and public assistance status (Esty, et al. 1995). Almost all the diversity definitions develop upon the most popular and comprehensive definition which was given by Kandola and Fullerton (1998). According to them, "The basic concept of managing diversity accepts that the workforce consists of a diverse population of people consisting of visible and non-visible differences, including factors such as sex, age, background, race, disability, personality and work style, and is founded on the premise that harnessing these differences will create a productive environment in which everyone feels valued, where all talents are fully utilized, and in which organizational goals are met."

*Research Scholar, University of Kota, Kota, Rajasthan. E-mail: minakshi_nagar@yahoo.com

✿ **Dimensions Of Diversity :** The key step for organizations in defining diversity is to understand the dimensions of diversity and to become conscious of the attributes that are important for them. The diversity dimensions which are most significant in an Indian organization are language, regional origin, religion, socio- economic status, gender, ethnicity, and food habits. Researchers have added a few more dimensions, which they consider significant and worth mentioning while managing diversity.



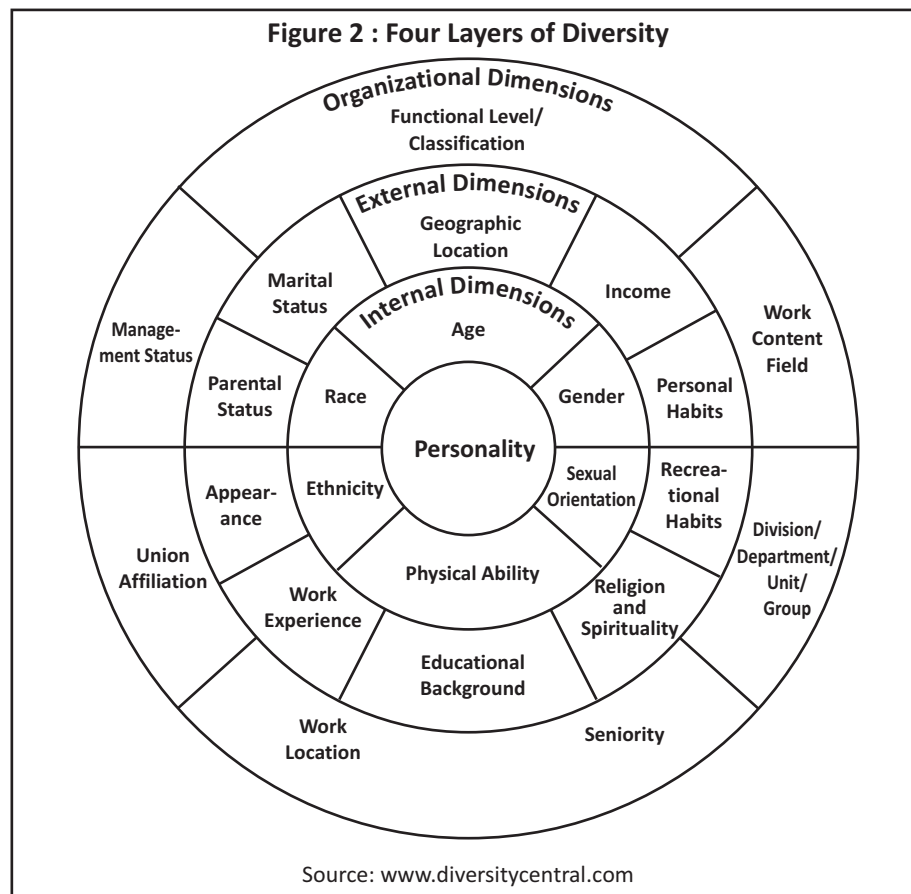
a) Diversity Wheel : Marilyn Loden and Judy Rosener (1991) share the credit of conducting pioneer research in this field. They define diversity as that “*which differentiates one group of people from another along primary and secondary dimensions.*” Primary dimensions according to them are, “*Those which exert primary influences on one's identity*” and secondary dimensions are, “*Those which though are less visible, exert a more variable influence on personal identity and add a more subtle richness to the primary dimensions of diversity.*”

The dimensions given by them are represented in Figure 1.

b) Four Layers of Diversity : Gardenswartz and Rowe (1998) have further augmented the primary and secondary dimensions by adding two more layers to the diversity wheel. According to them, diversity consists of four layers, i.e. four concentric circles (Figure 2). At the core of the wheel is the personality of a person, which encompasses all those aspects constituting the personal style of a person. Internal dimensions and external dimensions are similar to the primary and secondary dimensions explained by Loden & Rosener. The outermost layer is of the organizational dimensions. These are corporate or institutional affiliations and are associated with past and present experiences.

REASONS FOR THE EMERGENCE OF DIVERSITY

According to Luthans (2011), the major reasons which have contributed in the emergence of diversity are as follows:



a) Changing Workforce Demographics : Women, minorities, older workers, and those with more education are now entering the workforce. Today's workforce has the highest levels of employment participation ever by women. The number of dual income families and single working mothers has increased.

b) Legislation And Lawsuits : Federal and State equal opportunity legislations have made discrimination in the workplaces illegal. These legislations, along with the threat of lawsuits, have put teeth into diversity. Further, these laws specify the rights and responsibilities of both associates and employers in the workplace, and hold both groups accountable.

c) Competitive Pressures : The organizations have now realized that diversity can help them in meeting the current competitive pressures and hence, in having the competitive advantage. Moreover, companies that gain a reputation for "*celebrating diversity*" are more likely to attract the best employees regardless of age, gender, or ethnicity. The most endowed and qualified will feel that opportunities are better with these firms than with others.

d) The Recognition And Desire For Diverse Viewpoints : Organizations now recognize and strive to obtain the diverse viewpoints in their decision-making processes and teams. The diverse viewpoints can be encouraged by deliberately building in cross-fertilisation by selecting members with a broad range of skills and backgrounds. Workforce diversity can act as a tool for innovation. For instance, women working for Reebok pointed out that there was no good shoe available for aerobics. The firm acknowledged this idea and began marketing aerobics shoes, which turned out to be very profitable and served as a breakthrough for Reebok in the very competitive athletic shoe industry. A 2004 Catalyst report reveals that companies which have a greater representation of women in the top management team have 35% better 'Return on Equity' than those companies with low representation of women.

e) Increase In International Business: Today, more and more organizations are entering the international arena. A natural by-product of going international is increased diversity, particularly cultural diversity. As a result, the percentage of overall revenues from international operations and sales continue to increase dramatically.

IMPACT OF WORKPLACE DIVERSITY ON BUSINESS PERFORMANCE

The workplace diversity can affect the business performance in both, a positive as well as in a negative manner, depending upon its handling;

✿ **The Positive Benefits Of Managing Diversity :** The positive benefits of diversity can be summarized broadly in the following manner:

a) Diversity Enhances Customer Relations And Increases Market Share : Diversity contributes to increased market share because it enhances an organization's ability *"to deal more sensitively with multicultural domestic and foreign customers, thereby increasing customer satisfaction, keeping and gaining market share."* (Bhadury et al, 2000, p.144).

b) Diversity Enhances Employee Relations And Reduces The Cost Of Labour: According to several studies, employers who successfully manage diversity are better at attracting and retaining skills and talent *"because many workers are drawn to companies that embrace diversity"* (Woods and Sciarini, 1995, p.19). As well as recruiting the best people in the labour market by embracing diversity, such employers can also benefit from cost savings by having a more cost- effective recruitment process. McEnrue (1993) found that the recruitment expenditure of organizations that value diversity is 40 per cent less than that of those that don't. Furthermore, they suffer less from high costs of labour turnover, absenteeism and discrimination lawsuits (Fernandez 1991, Cox 1993, Morrison, 1992).

c) Diversity Improves Workforce Quality And Performance In Terms Of Innovation, Diverse Skills, Problem-solving And Flexibility : Innovation is the lifeblood of every modern corporation competing in the dynamic global marketplace. New ideas are critical to on-going innovation, and the source of new ideas is a widely diverse workforce. Heterogeneity in decision-making and problem-solving styles produces better decisions through the operation of a wider range of perspectives and a more thorough critical analysis of issues. Although the findings suggest mixed and conflicting results, advocates of diversity management argue that an inclusive diversity climate increases the performance and productivity level of employees through increased job satisfaction and commitment (Morrison, 1992). They also argue that diversity fosters adaptability to environmental change and organizational flexibility and provides a competitive edge by doing so (Cox 1993, Cox and Blake, 1991, Fernandez, 1991). Another frequently cited benefit of diversity is improved quality of management due to the effects of anti-discrimination policies (Cox 1993, Fernandez 1991, Morrison 1992). Additionally, McEnrue (1993) found that embracing diversity leads to decreased levels of frustration among supervisors who gain the skills to understand and manage groups with diverse backgrounds.

✿ **The Negative Outcomes Of Mismanaging Workforce Diversity :** In fact, workforce diversity isn't a competitive organizational strength unless it's effectively managed. Allard (2002, p.13) elaborates that potential disadvantages include impasses in reaching agreements, miscommunication, confusion, ambiguity, fear, resistance and backlash from majority members, unrealistic expectations, high cost of litigation, and recruitment difficulties. Allard (2002, p.14) further emphasizes that, *'Just having diversity does not by itself guarantee greater business success, nor does it guarantee qualitative social and creativity improvements.'*

On the contrary, in some instances, workforce diversity may even undermine business performance. Similarly, Jackson and colleagues (1995) pointed out that diversity may create discomfort for individual members of a workforce and result in lower organizational integration and attachment. Still, others argue the possibility that, even if diversity fosters better performance, the costs of coordinating diverse workforces can impede its advantages (Ancona and Caldwell, 1992; Murray, 1989).

Ancona and Caldwell (1992, p. 323) explain the difficulty of merging different cognitive styles, attitudes and values, such as those found in teams with diverse members. If not managed effectively, this diversity can create internal processes that slow down decision-making processes and keep members from concentrating on the task. Cordero et al (1996, p. 206) conclude that *"homogeneity in group composition creates positive outcomes because of the effects of the similarity - attraction effect, that is, that people are attracted to those who are similar to themselves."*

CONSTRAINTS TO WORKPLACE DIVERSITY

According to a 2006 report on Workplace Diversity in Asia, lack of leadership commitment is considered to be the

biggest barrier to addressing workplace diversity in Asia. This is followed by “*lack of diversity strategy and compelling business case*” and “*lack of awareness and understanding*”. The third greatest barrier is considered to be “*cultural values and differences*”.

The desire for a uniform workforce shapes hiring and promotion policies, resulting in what Harvard Business School Professor, Rosabeth Moss Kanter, called “*Homosocial Reproduction*”. Homosocial Reproduction limits the range of a company's innovation capabilities and may ultimately derail the future success of the organization.

FACTORS INFLUENCING THE EFFECTS OF DIVERSITY

The main moderating or intervening variables that condition the effects of diversity are as follows:

a) The Nature Of Work Tasks : In this regard, Cordero et al (1996, p. 206) suggest that, “*Homogeneity appears to be a benefit for groups with more routine tasks, while heterogeneity produces benefits for groups with more complex and interdependent tasks.*” In other words, diversity among employees delivers a competitive advantage for organizations when the performance of novel and complex tasks that require high levels of creative thinking, innovation and problem-solving skills are involved (Dwyer et al, 2003).

b) Corporate Business Strategy : The impact of diversity on business performance also exhibits variations in accordance with corporate business strategy (Richard, 2000). Dwyer et al (2003, p. 1010) confirmed that, “*A growth-oriented, culturally diverse organization benefits from employees who are flexible in their thinking and who are less likely to be concerned about departing from the norm.*” Their research findings suggest that firms adopting growth strategies benefit from the increased levels of performance stemming from gender diversity at the managerial level.

c) Diversity And Organizational Culture : According to the research findings of Chatman et al (1998), organizational cultures based on collectivist values positively moderate the relationship between workforce diversity and business performance by dissolving the conflicts stemming from and fostering the potential benefits of diversity. Knouse and Dansby (2000) argue that organizations that embrace equal opportunities and diversity gain advantage through increased effectiveness, satisfaction and commitment among employees. They say the diversity of employees, such as their race, ethnicity, gender, age, education and rank affects individual behaviours and attitudes towards equal opportunities, which in turn affects personal satisfaction, effectiveness and commitment. However, the nature of the impact diversity has, depends to a large extent, on the nature of the diversity climate, rather than the existence of diversity.

BUSINESS STRATEGIES FOR MANAGING DIVERSITY IN THE WORKPLACE

a) Individual Approaches To Managing Diversity : Individual approaches to managing diversity involve two interdependent paths which are as follows:

1) Learning : Most of the managers are often unprepared to deal with diversity; because of their inexperience, they are unsure of how to react. For instance, one recent study revealed that those with low competence in the diversity domain were unaware of their deficiency and, therefore, were not motivated to participate in diversity training, while those who were relatively competent were more interested in additional diversity training.

At the core of this learning process is communication. Managers must openly communicate one-on-one, regardless of age, gender, ethnicity, religion, or with those who are physically challenged, in order to learn more about a diverse group's personal values, and how the individuals like to be treated. Managers can also develop a personal style that works well with each member of a diverse group. Many managers are also unaware of their biased treatment of some employees, like those who are physically challenged. These employees want to be treated like everyone else, just asking for equal opportunities in employment. Managers can also encourage diverse employees for providing them with candid feedback regarding how they are being treated.

2) Empathy : Empathy is the ability to put oneself in another's place and see things from that person's point of view. This is particularly important in managing diversity, because members of diverse groups often feel that only they can truly understand the challenges they are facing. Many managers put an extra effort to promote minorities into management positions and enrich them with work-related experiences that can boost their careers. At the same time,

however, these managers need to understand that some minority members may have mixed emotions about being promoted. By learning how to empathize with these emotions, and by encouraging and guiding, the manager can play an important individual role in more effectively managing diversity.

b) Organizational Approaches To Managing Diversity : Organizational approaches to managing diversity involve techniques which are designed to help personnel effectively balance their work and family lives such as :

1) Testing : As mentioned in HR Focus (May, 2008), today, organizations are encountering problems with the use of tests for selection and evaluation, since they may be culturally biased. Most of the traditional tests are not suitable for a diverse force. As a result, there is a great need of developing tests, which are valid for selecting and evaluating diverse employee.

Firstly, more valid tests like job-specific tests, rather than general aptitude or knowledge tests can be applied. For instance, Union Public Service Commission (UPSC) has recently changed the pattern of Civil Services Examination (from 2011) by introducing an aptitude test in the preliminary examination for the purpose of screening the most appropriate candidates who can face the new challenges at the workplace. Job specific tests help prevention of diversity bias by focusing on the work to be done. Besides being culturally unbiased, tests should be able to identify whether the applicant has the necessary skills for doing the job.

Secondly, in some cases, role playing can be used for identifying whether the person has the necessary skills. For example, in the case of customer service jobs, role playing exercises could be useful in identifying the applicant's ability to focus on problems and solve them to the satisfaction of the customer.

Thirdly, online tests can be used, but this should be ensured that the tests are equivalent across cultures. As a result, all test questions have the same meaning, irrespective of the person's cultural background.

2) Training : Diversity training can play an active role in managing diversity. One way is by offering training to members from a diverse group on how to more effectively do their existing or future job. The other way is to provide training to managers and their employees who work with diverse employees. Sometimes, training games can be used to assist participants focus on cultural issues. As participants play the game, they gain an understanding of the values and beliefs of other cultures and learn how to better interact with a diverse workforce. According to the researchers, Sara Rynes and Benson Rosen (1995), top-management support for diversity is the key to the success of diversity training - important compulsory attendance for all managers, long-term evaluation of training results, and managerial rewards for encouraging diversity.

3) Mentoring : The purpose of the mentor program is to help support members of a diverse group in their jobs, socialize them in the cultural values of the organization, and pragmatically increase their chances for development and advancement. Establishing an effective mentoring program typically involves several steps.

Firstly, top-management support is crucial for the program. The mentor, who provides the guidance, can be paired with an individual who is most likely to benefit from the experience.

Secondly, both mentors and protégés can be given an orientation. The mentors can be guided on how to conduct themselves, and the protégés can be given guidance on the types of question and issues that they should raise with their mentor.

Thirdly, throughout the mentoring period, the mentor and the protégé (individually and together) meet with the support staff of the program to check how well things are going. Last but not the least, at the end of the mentoring program, both mentors and protégés are implored for suggestions and recommendations on how the process can be improved in the future.

4) Work/Family Programs : Now-a-days, in order to meet the needs of dual-career families, there are several programs, which can help in balancing their home and work demands.

Firstly, Flexi time gives employees greater autonomy by permitting them to choose their daily starting and ending times within a given time period called a bandwidth.

Secondly, work arrangement can be a compressed workweek. This arrangement, which is quite popular in Europe, compresses the workweek into fewer days.

Thirdly, job sharing is the splitting of a full-time position between two people, each of whom works part-time, which is more common in professional positions in banking, insurance, and teaching.

Fourthly, telecommuting allows employees to work from home or off site on a regular basis. By varying the on-site

assignments of the personnel, companies are able to reduce the number of people who are in the workplace at any one time, thus cutting down the amount of floor space and parking spots they need to rent.

Research by Thomas and Ganster (1995) found work/family programs decrease family conflict, job dissatisfaction, and stress-related problems.

CONCLUSION

At the core of managing diversity lies not only respect for the significant role of the other, but more importantly, a close scrutiny and examination of the basic presuppositions, assumptions, values, and world views that the dominating group holds about itself.

Further, we need to understand that only innovative ideas are likely to create new wealth for corporations, and the fountain of those innovative ideas is a diverse workforce. Overcoming '*Homosocial Reproduction*' in the corporate environment and employing innovative ideas is a key role of corporate leaders. Furthermore, diversity can't be used as a competitive organizational strength unless it's managed effectively.

Thus, the key dynamic in diversity management then is to maintain the two dimensions of unity and diversity in balanced tension, without erring to either side. Unity is not synonymous with uniformity, neither is diversity synonymous with separation. The solution to the tension is to respect and value diversity while working for unity, otherwise, exclusion is the result. Therefore, the strength of a nation or an organization lies in *unity in diversity* (Caleb Rosado, 2006).

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