Diversity Management and Leadership

Paradigms, Rationale, and Key Elements

If we are to achieve a richer culture, rich in contrasting values, we must recognize the whole gamut of human potentialities, and so weave a less arbitrary social fabric, one in which each diverse human gift will find a fitting place.

—Margaret Mead

In this chapter, we analyze diversity management programs and policies and examine organizational leadership as it relates to diversity. We define the concept of diversity management, describe its historical context, analyze two prominent paradigms for diversity management, examine its relationship to organizational leadership and conclude by identifying its key characteristics and limitations.

DEFINING DIVERSITY MANAGEMENT

In response to the growing diversity in the workforce around the world, many companies have instituted specific policies and programs to enhance recruitment, inclusion, promotion, and retention of employees who are different from the privileged echelons of society. Just as the privileged groups may vary from one country to the next (e.g., urban men of Han descent in China, White men in the United States, or Protestant men in Northern Ireland), so too do the disadvantaged groups (e.g., the lower castes in India, North African
immigrants in France, or women in Korea). Although equal rights legislation and affirmative/policy action policies have helped disadvantaged groups obtain access to a variety of jobs not previously open to them, it is their exclusion from circles of influence in work organizations that has kept them from fully contributing to and benefiting from their involvement in the workplace. Diversity management policies and programs are designed to create a welcoming organizational environment to those groups that, in the past and through the present, have not had access to employment, in general, and to more lucrative jobs, in particular.

The term *diversity management* originated in North America but has slowly taken hold in other regions and countries of the world (e.g., Hays-Thomas, 2004; Kaiser & Prange, 2004; Nyambegera, 2002; Olsen & Martins, 2012; Ozbilgin & Tatli, 2008; Palmer, 2003; Palmi, 2001). Olsen and Martins (2012) define diversity management broadly as “the utilization of human resource (HR) management practices to (i) increase or maintain the variation in human capital on some given dimension(s), and/or (ii) ensure that variation in human capital on some given dimension(s) does not hinder the achievement of organizational objectives, and/or (iii) ensure that variation in human capital on some given dimension(s) facilitates the achievement of organizational objectives.” We offer the following definition that is brief and succinct and, in the spirit of this book, links diversity to inclusion:

Diversity management refers to the voluntary organizational actions that are designed to create greater inclusion of employees from various backgrounds into the formal and informal organizational structures through deliberate policies and programs. (Mor Barak, 2005, 2011)

With the globalizing economy and the increase in multinational corporations, diversity management no longer refers solely to the heterogeneity of the workforce within one nation but often refers also to the workforce composition across nations. The first type, *intranational diversity management*, refers to managing a diverse workforce of citizens or immigrants within a single national organizational context. An example would be a German company instituting policies and training programs for its employees to improve sensitivity and provide employment opportunities to members of minority groups and recent immigrants in its workforce. The second type, *cross-national diversity management*, refers to managing a workforce composed of citizens and immigrants in different countries (e.g., a Korean company with branches in Japan, China, and Malaysia establishing diversity policies and training that will be applicable in its headquarters and also in its subsidiaries in these countries). Each of these types of diversity management presents different challenges and dilemmas, and each requires a different set of policies and programs. In addition to practicing within the laws and social norms of its home country, cross-national diversity management requires employers to take into consideration the legislative and cultural context in other countries, depending on where their workforce resides. For example, a company based in South Africa has to abide by the South African equal rights legislation, which
CHAPTER 10  Diversity Management and Leadership  219

compels it to treat men and women equally. If the same company has a branch in Saudi Arabia, however, it will have to treat its employees according to the laws of that country, which are inspired by the shari‘ah and follow the Islamic tradition of prescribed gender roles. In South Korea, as another example, the cultural norms dictate that married women with young children leave their careers and devote their time to their families. Therefore, while a U.S. company is likely to provide training and promotion opportunities to young women (in compliance with antidiscrimination legislation), its Korean subsidiary may view such policies as a waste of time, considering the Korean cultural norms (Lee, 1997; Park, 2008).

Cox (2001) notes, “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” (p. 16). Diversity management refers not only to those groups that have been discriminated against or that are different from the dominant or privileged groups but to “the mixture of differences, similarities and tensions that can exist among the elements of a pluralistic mixture” (Thomas, 2005, p. 93). Using a jar of jelly beans (colorful candy) as a metaphor, Thomas (1996) emphasizes that diversity management is dealing with the collective mixture of all workers, not just the recent additions to the organizational workforce:

To highlight this notion of mixture, consider a jar of red jelly beans and assume that you will add some green and purple jelly beans. Many would believe that the green and purple jelly beans represent diversity. I suggest that diversity, instead, is represented by the resultant mixture of red, green and purple jelly beans. When faced with a collection of diverse jelly beans, most managers have not been addressing diversity but, instead, have been addressing how to handle the last jelly beans added to the mixture. . . . The true meaning of diversity suggests that if you are concerned about racism, you include all races; if you’re concerned about gender, you include both genders; or if you’re concerned about age issues, you include all age groups. In other words, the mixture is all inclusive. (pp. 146–147)

Further, diversity management can create a competitive advantage in areas such as recruitment, retention, marketing, problem solving, and resource acquisition (e.g., Cox, 2001; Houkamau & Boxall, 2011). Therefore, diversity management is not the sole domain of the HR function in the organization (as has been the case with affirmative or positive action initiatives) primarily aimed at compliance with legal requirements. It is a systematic organization-wide effort based on the premise that for organizations to survive and thrive there is an inherent value in diversity (Cox, 2001; Kreitz, 2008; Orlando, 2000). However, it is important to note that careful research in a global context suggests that diversity management can have both positive and negative consequences as well as no change at all and that a more nuanced approach to the link between diversity management and organizational outcomes is in order (Kochan, Bezrukova, Ely, Jackson, & Joshi, 2003; Jackson, Joshi, & Erhardt, 2003; Olsen & Martins, 2012; Thomas, 2005; Tran, Carcia-Pieto, & Schneider, 2011).
The current business focus on diversity is quite different from equal rights legislation and from affirmative/positive action programs. The latter are about trying to achieve equality of opportunities by focusing on specific groups and righting past wrongs. Diversity efforts focus on managing and handling the diverse workforce to give the company a competitive advantage. All these may be viewed as a continuum: Equal employment opportunity (EEO) legislation means that it is against the law to discriminate, affirmative action programs mean that companies need to take positive steps to ensure equal opportunities, and diversity management is proactive and aimed at promoting a diverse and heterogeneous workforce. The emphasis of the latter is on the business advantage that it can provide to organizations. More and more companies are realizing that there could be a business benefit for having diversity management programs or, at the very least, to including language about it in their public relations materials. For example, IBM’s chairman and CEO Sam Palmisano pointed to the link between diversity management and the core business at IBM. Highlighting IBM’s long involvement with equal opportunity and diversity initiatives, Palmisano noted that “diversity policies lie as close to IBM’s core as they have throughout our heritage. Today, we’re building a workforce in keeping with the global, diverse marketplace, to better serve our customers and capture a greater share of the on demand opportunity” (IBM Webpage, 2009). As a testament to its long-term commitment to diversity at all levels of the company, IBM’s board of directors elected Virginia “Ginni” Rometty as CEO in October 2011, the first woman to serve in this role in the company’s 100-year history. At the time of her appointment, IBM was one of only 18 Fortune 500 companies to be led by a woman. The appointment was followed immediately by a high profile controversy regarding the Augusta National Golf Club’s 80-year-old policy of not admitting women as members. The issue came to the fore because IBM has been one of the tournament’s three sponsors and, traditionally, the CEOs of the sponsors don the club’s signature green member blazer at the tournament. Due to the club’s gender discriminatory policies, Ms. Rometty was barred from becoming a member, despite heading one of the tournament’s major sponsors. Both President Obama and his Republican challenger for the presidency, Mitt Romney, criticized the club’s policy and called for the club to admit women members (Helyar & Buteau, 2012).

The importance of diversity management programs for global companies is a recurrent theme in the statements of many executives (for a sample of statements in speeches by senior officers of Nikkeiren, Japan’s Business Federation, see Ozbilgin & Tatli, 2008, pp. 52–56). Emphasizing the global angle of diversity management, Tiane Mitchell Gordon, senior vice president for diversity and inclusion at AOL, noted that diversity management has a strategic role: “It really is about looking at how we can influence and impact our business from a different lens to understand how, as a global company, we have to be more culturally aware” (Schoeff, 2009). Cox (2001) notes that “the globalization of business is a trend that makes diversity competency crucial for many organizations” (p. 124) because both large and small companies increasingly derive a significant portion of their revenues from other countries in the world.
An interesting explanation for the difference between equal opportunity legislation and diversity management comes from Australia and uses the analogy of wild animals in the zoo.²

Imagine your organisation is a giraffe house. Equal opportunity has been very effective widening the door of the giraffe house to let the elephant in, but home won’t be best for the elephant unless a number of major modifications are made to the inside of the house. Without these changes the house will remain designed for giraffes and the elephant will not “feel at home.” (Krautil, 1995, p. 22)

In the United States, where the term diversity management originated, there was a gradual progression over the years from Title VII of the 1964 Civil Rights Act that mandated EEO, to President Lyndon Johnson’s 1972 Executive Order 11246 that outlined affirmative action, and culminating in diversity management policies and programs developed in the 1990s and the 2000s. In Australia, the same progressive development took place with antidiscrimination legislation and affirmative action policies requiring the removal of barriers and the implementation of policies that encourage full employment of groups defined by personal characteristics such as gender, race, physical ability, ethnic heritage, and family responsibilities (Kramar, 1998). There, too, diversity management has been seen as the natural next step for effective management in the future competitive business environment (Burton, 1995; De Cieri, 2003).³ and many of Australia’s most profitable companies have adopted productive diversity policies in different ways (Pyke, 2007).

The European Union (EU) as a whole has developed a strong commitment to equality and positive action policies. Across Europe, there is a trend to strengthen legislation against discrimination as indicated by directives on equal treatment of people irrespective of their race and ethnic backgrounds and on the equal treatment of persons in the labor market, adopted by the EU Council of Ministers in 2004 (EU Directive 2000/43/EC Art 13) and amended in 2006 (2006/54/EC) to include protection against gender discrimination.⁴ Different countries within the union, however, have implemented varying levels of protections and initiatives, and some have adopted affirmative or positive action programs while others have not.⁵ Accordingly, companies in different countries may or may not institute, or even aspire to implement, diversity management policies and programs, and those that have been developed will vary in scope and organizational commitment. In a series of comparative studies, the International Labour Organization (ILO) evaluated antidiscrimination and diversity-training initiatives in different countries in the EU (Wrench, 2007). The studies indicated that Spain, for example, was one of the few industrialized migrant-receiving countries that at the time of the study had not introduced antidiscrimination legislation to protect nonnational workers; and in general, there was very little or no awareness of the potential problem of ethnic or racial discrimination. Even in countries that have already instituted equal rights laws and public policies that promote diversity, the general organizational culture may not have been ready for the next step of diversity management. In the United Kingdom, for example, diversity management was perceived as premature during the 1990s in several cases unless it followed antiracism and equality trainings (Taylor, Powell, &
Wrench, 1997). It is important to remember that the prerequisite for diversity management is having a diverse workforce. Although recruitment of diverse employees can be a goal of diversity management, if there is little diversity in the organization, the focus should be on recruitment strategies and not on diversity management per se. In the Netherlands, for example, a heterogeneous workforce is still more of an exception than a rule. Although the demographics have changed quite dramatically in the past two decades, the workforce is still quite segregated, though the situation is quite different for multinational firms who are more likely to employ foreign workers and therefore would have a more diverse workforce (Ozgen, Nijkamp, & Poot, 2011). Most business diversity efforts are focused on recruiting customers, not employees. Therefore, companies need to focus on applying positive action policies in workforce recruitment before they can exercise diversity management (Abell, Havelaar, & Dankoor, 1997; Tsogas & Subeliani, 2005).

In some countries, such as South Africa where a nonracial, democratic constitution came into effect in 1996, equal rights legislation was implemented at just about the same time as its affirmative action policies, and many of its companies have been trying to almost simultaneously design and implement diversity management programs. The results of both equal rights laws and the affirmative action policies in South Africa are already evident in the increased proportion of Black managers, though these rates are still far from their representation in the wider society. As the racial and cultural profile of South African organizations continues to change, the process of managing diversity is becoming more important (April, Ephraim, & Peters, 2011; Horwitz, 2002). The situation in Brazil is quite similar to that of South Africa—with both legislation and government measures to combat employment discrimination taking place relatively recently. Brazil, however, is quite different because it has long been a heterogeneous society, the product of several migration flows relatively early in its development. As a result, Brazilians take pride in their tradition of nonprejudicial national ideology. Nevertheless, inequalities do exist. Despite its considerable population diversity and multiracial composition, diversity management in Brazil is still a nascent field—the concern of Brazilian companies with the practice of managing cultural diversity is quite recent and relatively limited and those companies that have developed programs are primarily subsidiaries of U.S enterprises (Fleury, 1999; Jabbour, Gordono, de Oliviera, Martinez, & Batistelle, 2011; Perez-Floriano & Gonzalez, 2007). A study of 15 companies operating in Brazil found that in most companies’ diversity management is still an emerging issue, and the major challenges are related to discriminatory actions taken by coworkers. Among the 15 companies studied, only 4 had adopted a consistent set of diversity management and HR practices. These four companies were the only companies to affirm that diversity management required the strong support of top management to sustain efforts toward incorporating diversity (Jabbour et al., 2011).

As is evident from this brief review, equal rights legislation and affirmative/positive action policies are prerequisites for the development of diversity management because they create the social, legal, and organizational environment on which diversity management initiatives can be based. In some countries, the development was sequential and took decades, whereas in others, the development was rapid and almost co-occurring.
DIVERSITY MANAGEMENT PARADIGMS

In recent years, several paradigms have been offered for diversity management that underscore its unique characteristics and purpose. This section highlights two of the prominent approaches—the HR paradigm and the multicultural organization paradigm.

The Human Resource Paradigm in Diversity Management

Conventional HR practices tend to produce and perpetuate homogeneity in the workforce as a result of the A-S-A (attraction-selection-attrition) cycle (Groeneveld, 2011; Schneider, 1987; Schneider, Smith, & Paul, 2001). Typically, individuals are attracted to organizations that appear to have members with values similar to their own. In turn, organizations select new members that are similar to their existing members because their hiring continues to make everyone feel comfortable (García, Posthuma, & Colella, 2008). Recruiting practices often emphasize hiring people from sources that have historically been reliable and selecting candidates whose characteristics are similar to those employees that have been successful in the past. As a result, employees who do not fit in well with the dominant organizational culture eventually leave or are fired, creating a selective attrition process that supports and maintains a workforce that is homogeneous (Groeneveld, 2011; Schneider et al., 2001). In the long run, this trend is unhealthy for organizations in that it limits their talent pool, their long-term growth and renewal, and their ability to adapt to environmental changes and tap into new markets.

In recent decades, HR managers have recognized the need to adopt effective diversity management practices in order to overcome barriers for diversity and reap the rewards of a diverse workforce. Kossek and Lobel (1996) summarize the three prevailing HR approaches to diversity management and offer an original approach of their own. The authors later expanded on the model and made the connection between HR management practices, workforce diversity, and individual, group, and organizational outcomes (Kossek, Lobel, & Brown, 2006). The four approaches are presented in Table 10.1 and elaborated next.

Diversity Enlargement

This approach focuses on increasing the representation of individuals of different ethnic and cultural backgrounds in the organization. The goal is to change the organizational culture by changing the demographic composition of the workforce. For example, the Norwegian government backed a draft law that would oblige companies to appoint women to at least 40% of their directorships ("Oslo Push," 2003). The assumption is that the new employees will conform to existing practices and that no additional intervention will be needed. The mere presence of increasing numbers of employees from different backgrounds will result in a culture change that will bring the desired results. Often this approach is motivated by compliance to laws and public expectations of political correctness rather than a deep understanding of the business need for diversity (Kossek & Lobel, 1996).
Diversity Sensitivity

This approach recognizes the potential difficulties introduced by bringing together individuals from diverse backgrounds and cultures in the workplace. It attempts to overcome these difficulties through diversity training that is aimed at sensitizing employees to stereotyping and discrimination while also promoting communication collaboration. The assumption embedded in this approach is that increased sensitivity to differences will improve performance. Although this is sometimes the case, in other instances, particularly when the training is not linked to corporate goals and initiatives and not supported by its long-term policies, it can create more harm than good. Emphasizing differences can backfire by reinforcing stereotypes and highlighting intergroup differences rather than improving communication through understanding and common interests (Kossek & Lobel, 1996). (See Box 10.1 for an example of a diversity training gone awry.)

Cultural Audit

This approach aims at identifying the obstacles that limit the progress of employees from diverse backgrounds and that block collaboration among groups in the organization.
Diversity training ought to be well planned and executed. Sometimes, the efforts to improve openness and understanding between groups may reinforce negative images and even prejudice. Rather than facilitating open communication and improved relationships, the end result might be divisive and offensive. An example of a diversity training gone awry is the infamous Texaco 1994 “jelly beans” incident that was featured in a lawsuit against the company (Eichenwald, 1996). The lawsuit, filed by the company’s African American employees, alleged racist remarks as part of the company’s culture. Among other incidents of prejudice and discrimination in the company, the lawsuit alleged that in a diversity training sponsored by the company, a comment was made by one of the managers that “All the black jelly beans seem to be glued to the bottom of the bag,” a remark that was interpreted as derogatory toward African Americans. In its defense, the company commissioned an independent counsel who reported that there was nothing inherently derogatory in any of the references to jelly beans. Indicating that the jelly beans reference was a common image used in diversity training, the independent counsel suggested that it may have been a reference to inequities imposed upon African Americans by society, rather than a criticism. The case ended with a $176 million settlement announced November 15, 1996. Interestingly, after Texaco had reached this settlement, two shareholder proposals regarding diversity management were submitted, receiving strong support from other shareholders. This is an example of shareholder activism that can force boards of directors to rethink their ambivalence toward diversity, emphasizing the need to prevent future employment discrimination lawsuits and costly settlements (Buckridge, 2006; De Meuse & Hostager, 2001; Olson, 1997; “Texaco Independent Investigator’s Report,” 1996; “Texaco Investigator,” 1996).

The audit is usually performed by outside consultants who obtain data from surveys and focus groups and then identify areas in which employees who are different from the dominant group feel that they are blocked from performing to the best of their ability. Although this is a customized approach that is tailored to specific organizational cultures, the recommendations for change are typically based on the notion that the source of the problem is in the dominant cultural group (typically, in North America, White males) and that the change must come from within that group (Kossek & Lobel, 1996). An example of a cultural audit is Ford Motor Company’s global employee satisfaction survey. The survey, called PULSE, is distributed annually among all of the company’s salaried employees (in 2002, 71% of employees participated in the survey). Employee satisfaction with diversity is one of the 12 dimensions assessed by the survey, and the results are used to assess Ford’s commitment and performance in achieving a diverse workforce (Ford Motor Company, 2002). In a study of 119 manufacturing organizations in Australia, Fenwick, Costa, Sohal, and D’Netto (2011) found that positive changes in HR diversity management have occurred.
during the first decade of the 21st century. The survey provides information about HR diversity management practices that include identification of current skills of staff through a cultural audit process, providing the basis for interventions such as education programs to reduce stereotyping and adoption of cultural sensitivity workshops. The authors indicate that, based on the survey results, diversity management practices in Australia have progressed from a nascent area in the 1990's into an accepted subfield of HR management. They note that the “overall performance of manufacturing organizations in Australia, with respect to the use of human resource diversity management practices is no longer ‘mediocre’ and can now be classified as ‘above average’” (Fenwick et al., 2011, p. 494).

Strategy for Achieving Organizational Outcomes

This approach, proposed by Kossek and Lobel (1996) as a comprehensive framework for HR diversity management, focuses on diversity management “as a means for achieving organizational ends, not as an end in itself” (p. 4). Using this strategy, managers have to identify the link between diversity management objectives and desired individual and organizational outcomes. Organizational strategic choices are viewed in the context of environmental drivers such as the changing labor market composition, the global economy, the shift to a service economy, and the legal and governmental pressures. The theoretical foundation for this approach is the resource-based theory—recognizing the value of diversity for conceiving an effective business strategy and for implementing the strategy effectively (Yang & Konrad, 2011). Analyzing environmental drivers can help the organization determine the specific benefits it expects to gain from its diversity management and how those are linked to its overall business strategy. For example, if innovation is a business strategy for the company, it is in its best interest to cultivate multicultural diverse teams because creativity and responsiveness to new markets, primarily in today’s global economy, are more likely to be found in diverse work teams.

The Multicultural Organization Paradigm in Diversity Management

Cox (1994, 2001) proposed a diversity management paradigm that includes three types: (a) the monolithic organization, (b) the plural organization, and (c) the multicultural organization. Diversity management, according to this paradigm, should strive to create multicultural organizations in which members of all sociocultural backgrounds can contribute and achieve their full potential.

The Monolithic Organization

This is an organization that is demographically and culturally homogeneous. For example, most Chinese companies are monolithic from a cultural and ethnic perspective, as the overwhelming majority of their employees are ethnically Han Chinese. They are not, however, monolithic from a gender perspective because there are many women in the companies. Women, though, are more commonly employed at the lower levels of the organization, whereas most of the managers, particularly at the top levels, are men (Powell & Graves, 2003). A monolithic organization in North America or Europe will have a majority of White men and relatively few women and members of ethnic and racial minorities. Typically, women and
racial/ethnic members of minority groups, both men and women, will be segregated in low-status jobs such as receptionists and maintenance people that do not have a significant impact on organizational policies and practices (Cox, 1994, 2001). A monolithic organization will have a culture that will perpetuate the homogeneity of its workforce through its hiring and promotion practices. There will be an expectation that members of diverse groups will assimilate into the culture of the majority with minimal degrees of structural and formal integration. In other words, because one cultural group manages the organization almost exclusively, both the practices and policies of a monolithic organization are biased in favor of the majority group. Not surprisingly, intergroup conflict is expected to be minimal in such an organization because it is basically homogeneous and is composed of one dominant cultural group. Given the globalizing economy, a monolithic organization will be at a competitive disadvantage, and its homogeneity will become more difficult to maintain given the influx of women and members of minority groups into the workforce around the world.

**The Plural Organization**

This is an organization that has a heterogeneous workforce, relative to the monolithic organization, and typically makes efforts to conform to laws and public policies that demand and expect workplace equality. It will take active steps to prevent discrimination in the workplace such as audits that assure equality of compensation systems and manager trainings on equal opportunity issues and sexual harassment. Although women and members of minority groups are represented in larger numbers, they make up only a small percentage of the management, particularly top management, and are still expected to assimilate into the majority culture. Examples of plural organizations include companies in which members of minority groups constitute a sizable proportion of the workforce but only a small percentage of the managerial positions. Although there is greater structural and formal integration in the plural organization, institutional bias is rather prevalent and intergroup conflict is significant, primarily because the increased presence of women and members of ethnic and racial minority groups is not accompanied by serious efforts to make them a truly integral part of the organization. Cox (1994, 2001) attributes the increased intergroup conflict in plural organizations in the United States to the backlash against affirmative action programs and the resulting sense among majority group members that they are being discriminated against because of no fault of their own. Cox (1994) identifies the plural organization as the most prevalent type in the North American business environment, but this organizational type is also prevalent in other areas of the world such as Europe, Australia, India, and South Africa.

**The Multicultural Organization**

This is more an ideal than an actual type because very rarely do companies achieve this level of integration. However, Cox (1994, 2001) indicates that it is important to understand this type and use it to create a vision for effective diversity management. The multicultural organization is characterized by a culture that fosters and values cultural differences—truly and equally incorporates all members of the organization via pluralism as an acculturation process, rather than as an end resulting in assimilation. The multicultural organization has full integration, structurally and informally; is free of bias and favoritism toward one group as compared with others; and has only a minimal intergroup conflict,
thanks to the previously stated characteristics that result from effective management of diversity.

Cox’s (1994) typology of the monolithic-multicultural organizational continuum presents “pure” types that are rarely found in reality but are useful from an analytic standpoint. Although it was generated primarily for the North American context, it is useful for other countries as well because diversity of the workforce is increasingly central, even in traditionally homogeneous societies. By outlining these types, particularly the extremes, Cox’s typology is helpful in providing work organizations with a vision of the model they need to strive for in designing their diversity management strategies.

THE IMPETUS FOR IMPLEMENTING DIVERSITY MANAGEMENT

Why do companies implement diversity management strategies? There are three types of arguments in favor of diversity management, each with its own slogan (see Table 10.2):

1. “Diversity is a reality that is here to stay.” Businesses have to adapt to the new realities of an increasingly diverse workforce. In the United States, it was the report by the Hudson Institute, Workforce 2000, and the one that followed it, Workforce 2020, that served as a wake-up call to businesses, describing in compelling statistical detail the future trends of the workforce (Johnston & Packer, 1987; Judy & D’Amico, 1997). One of their central predictions was that the workforce will grow slowly, and the proportion of older adults, women, and members of minority groups will continue to increase. Earlier chapters in this book described diversity trends in other countries as well, demonstrating that the global economy contributes to increased diversity in practically every region of the world.

2. “Diversity management is the right thing to do.” This is the moral and ethical reasoning for diversity management. At the heart of this argument is the notion of equal opportunities regardless of individual characteristics such as gender, race, and sexual orientation. This includes providing all potential employees with equal access to jobs in the organization and providing current employees with comparable pay for jobs of comparable worth (Velasquez, 2011). Another ethical principle, compensatory justice, is the foundation of affirmative action programs (Kellough, 2006). This principle suggests that society has an obligation to overcome historical discrimination against specific groups of people to compensate those who have been intentionally and unjustly wronged (Kellough, 2006; Velasquez, 2011). Therefore, work organizations have a social obligation to participate in compensating groups that have been wronged in the past—Blacks in South Africa or Catholics in Northern Ireland.

3. “Diversity makes good business sense.” Diversity management can provide businesses with a competitive advantage. Here the logic is that by managing diversity, companies have much to gain (Cox, 2001; Kochan et al., 2003), including (a) cost reductions due to lower absenteeism and turnover,
(b) advantages in the competition for talent in the workforce (Thomas, Thomas, Ely, & Meyerson, 2002), (c) reduced risk of discrimination lawsuits due to a more just and nondiscriminating environment, (d) more effective marketing to diverse customer pools (Kossek et al., 2006; Pradhan, 1989), (e) increased creativity and innovation through diverse work teams (Kossek et al., 2006; Weiss, 1992), (f) government contracts for which minority- or gender- balanced businesses are given preference, and (g) improved corporate image, which generates public goodwill. More will be said about benefits to companies in the next chapter.

Elements of this three-pronged rationale for adopting diversity management are evident in the mission statement and corporate ethos of many companies. For example, Jay C. Rising, president of Automatic Data Processing (ADP), states, “Our goal is to have a workplace that is fully inclusive, one that enables us to leverage the talents of a multi-cultural organization” (ADP, n.d.); and the mission statement of Hanes and Boone (one of the largest law firms in the United States) indicates,

Our greatest asset is our people. They make Haynes and Boone a special firm by embracing core values that foster a healthy work environment, a commitment to being the best and an attitude of service to others. While our people make a positive difference for our clients, they do the same for their local communities by dedicating substantial personal time and funds to pro bono work and community service. We are equally proud of the ethnic, gender and cultural diversity of our people and our success in hiring, retaining and promoting women and ethnic minorities. (About the Firm, 2002–2003)

These types of mission statements have been adopted by companies outside the United States as well. For example, the diversity statement of Woolworths Holdings, a South African–based retail group, pronounces,

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<th>Slogan</th>
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<td>“Diversity is a reality here to stay.”</td>
<td>The pool of current and future employees is becoming more diverse, and businesses have no choice but to adapt to this new reality.</td>
</tr>
<tr>
<td>“Diversity management is the right thing to do.”</td>
<td>Companies have an obligation to promote social justice and implement principles of compensatory justice through their policies and programs.</td>
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<tr>
<td>“Diversity makes good business sense.”</td>
<td>Diversity management can give companies a competitive advantage in the global economy.</td>
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Woolworths believes in a diverse workforce and embraces the principles of employment equity to achieve an appropriate balance for the group. The group has demonstrated its commitment to employment equity by adopting a diversity statement forming the basis for implementation. (Woolworths Holdings Limited, 2004)

Similarly, the corporate statement about diversity from AstraZeneca, a leading U.K.-based pharmaceutical company, proclaims,

Our definition of diversity includes all our different personal skills and qualities as well as race and gender, where advancement depends solely on ability, performance and good teamwork. We encourage our people to share their knowledge and ideas across boundaries—to build high performance teams that recognize and value our differences—teams that celebrate diversity but which also embrace common goals. Across the business, diversity is high on the agenda and continuous improvement is at the heart of our approach. And we have a clear focus on the future—an aspiration to become a true culture of diversity. (AstraZeneca United Kingdom, 2004)

CHARACTERISTICS AND LIMITATIONS OF DIVERSITY MANAGEMENT

The goal of diversity management is to transform the organizational culture from a majority-oriented to a heterogeneous-pluralistic culture in which different value systems are heard and thus equally affect the work environment. Diversity management has a dual focus: The first is enhancing social justice by creating an organizational environment in which no one is privileged or disadvantaged due to characteristics such as race or gender; the second is increasing productivity and profitability through organizational transformation (e.g., Cox, 2001; Ozbilgin & Tatli, 2008; Thomas, 2005). Accordingly, diversity management has three key components:

1. Diversity management is voluntary. Equal rights legislation is enforced through sanctions (monetary fines or incarceration), and affirmative/positive action policies are enforced through incentives (government contracts); however, diversity management is self-initiated by the companies themselves. It is not enforced or coerced but is entirely voluntary.

2. Diversity management uses a broad definition of diversity. Whereas both equal rights legislation and affirmative or positive action policies specify the groups that are to benefit from the laws or public policies (e.g., specific castes in India or Blacks in South Africa), companies that implement diversity management often use broad and open definitions of diversity. One of the reasons for this broad and often vague definition is that they make diversity programs inclusive and reduce potential objections from members of the majority group.
3. Diversity management aims at providing tangible benefits to the company. Diversity management is seen as a business strategy aimed at tapping into the full potential of all employees in the company in order to give the company a competitive advantage whereas in the past, employees of different backgrounds (e.g., race/ethnicity or gender) were labeled as unqualified by managers if they did not conform to values and norms of the majority. The logic of diversity management is that it allows every member of the organization to bring to the workplace his or her unique perspective, benefiting the organization as a whole. Expected benefits of diversity management include such outcomes as broad appeal to diverse clients because diverse employees communicate better with diverse clients, better products because diversity of opinions leads to creativity, and improved sales because diverse employees better understand the needs of diverse clients (Cox, 2001; Ozbilgin & Tatli, 2008; Thomas et al., 2002). Ford Australia, for example, realizing that attracting women as customers is imperative for its future growth, sought to increase the proportion of women among its workforce. Since 2000, Ford Australia has funded the Ford of Australia Women in Engineering Scholarship Program, an undergraduate scholarship program aimed at encouraging more women to enter the field of automotive engineering. As a result of that program, in 2002, women had increased to a 43% share of the company’s total university graduate intake. Similarly, in order to attract diverse clients, Telstra Corporation Limited recruited employees who could speak up to seven different languages to staff its multilingual customer service centers. These multilingual sales consultants take an average of about 2,700 calls each month with increasingly positive feedback from customers who prefer explaining their telecommunication problems in their native tongues.

Though these key components of diversity management—being voluntary, using a broad definition of diversity, and providing tangible benefits to the company—represent strength in the current business context, they can potentially bring the demise of the concept in the long run. First, the voluntary nature of diversity management means that it may not survive during difficult economic times. The concern here is that if forced to make a choice among competing expenditures, diversity programs may be cut back or eliminated altogether because their benefits often take a long time to materialize. Second, the broad definitions of diversity mean that the most vulnerable groups in society—racial minority groups, people with disabilities, and women—may not receive the protection they deserve because resources will be spread across many groups. The concern here is that the slogan “Everyone is diverse” dilutes the implications of historical injustices and discrimination that have denied certain groups access to opportunities and resources. And, finally, the emphasis on the practical benefits suggests that once diversity management is no longer perceived as beneficial to companies, it will disappear. It is, therefore, essential that diversity management will be based not only on the principle of providing tangible benefits to the companies but also on a strong moral and ethical commitment to diversity.
In today’s global business world, a leader has to understand cultural similarities and differences in order to communicate effectively across cultures. Leadership in this global environment depends to a great extent on a deep understanding of the contextual culture that provides meaning to verbal and nonverbal communication. It is analogous to an iceberg, with the visible part, above the ocean’s surface, being the actual behavior manifested by individuals and the invisible part, beneath the surface, representing the meanings that people in a specific culture attribute to that visible part.

Cultural awareness and competence are essential for effective leadership in the context of diversity. Some authors suggest that cultural intelligence is central to understanding effective global leadership. Cultural intelligence is the ability to behave appropriately in cross-cultural settings, an ability that encompasses cognitive (knowledge), emotional (motivational, mindfulness), and behavioral dimensions (Blasco, Feldt, & Jakobsen, 2012). Defined as “a system of interacting knowledge and skills, linked by cultural metacognition that allows people to adapt to, select, and shape the cultural aspects of their environment,” cultural intelligence is hypothesized to be linked to effective intercultural interactions, including interpersonal relationships and task performance (Thomas et al., 2008). Some studies found that cultural intelligence allows leaders to share knowledge and information within their organizations, to facilitate active research and to enhance team learning during cross-cultural interactions (e.g., Groves & Feyerherm, 2011; Ng, Van Dyne, & Ang, 2009; Rockstuhl, Seiler, Ang, Van Dyne, & Annen, 2011).

In order to provide vision and inspire their organizations, effective leaders needs to understand the multiplicity of values, perspectives, and worldviews that individuals and groups may hold dear and use their cultural intelligence in different settings to create an inclusive and effective work environment. An effective leader must be able to cope with contrasting economic, political, and cultural practices in both the national and international contexts (Rockstuhl et al., 2011).

The Global Leadership and Organizational Behavior Effectiveness (GLOBE) project, noted earlier in the book (Chapter 8), investigated the complex relationship between societal culture and organizational behavior with a focus on leadership (Dorfman, Javidan, Hanges, Dastmalchian, & House, 2012). The data generated by this large-scale study was the result of collaboration between more than 200 researchers from multiple academic disciplines located across all parts of the globe for more than two decades and is highly relevant for understanding global leadership in the context of diversity. The research team, led by Robert House as the principal investigator along with multiple coordinating teams, defined leadership as “the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organizations of which they are members” (House, Hangers, Javidan, Dorfman, & Gupta, 2004, p. 15).

The GLOBE study found that some leadership behaviors are universally effective such as charismatic/value-based leadership—broadly defined as the “ability to inspire, motivate, and to expect high performance outcomes from others based on firmly held core values” (Dorfman et al., 2012, p. 3). This universal leadership characteristic includes six primary dimensions: (a) visionary, (b) inspirational, (c) self-sacrifice, (d) integrity, (e) decisive, and...
Diversity Management and Leadership

(f) performance oriented. Other leadership behaviors are much more culture specific, such as participative leadership, which is defined as “the degree to which managers involve others in making and implementing decisions” (Dorfman et al., 2012, p. 3). The participative leadership dimension includes two primary dimensions: (a) nonparticipative and (b) autocratic.

A central finding of the GLOBE study is that national culture influences leadership behaviors indirectly, through the leadership expectations of societies. In other words, executives tend to lead in a manner that is quite consistent with the leadership prototypes endorsed within their particular culture. As a result, leaders who behave according to expectations are most effective (Dorfman et al., 2012). Therefore, understanding national culture gives us an insight into which kinds of leadership would likely be enacted and be effective in each society and, more importantly, how to bridge those differences in order to generate leadership that would be effective across cultures.

Leaders can inspire organizations to become more inclusive with respect to their diverse workforce. It is important to remember that ensuring diversity representation in the workforce is only the initial step toward workplace inclusion. Workplace inclusion reflects the extent to which employees perceive that they are part of the communication systems, informal networks, and decision-making processes in the organization. Therefore, increasing diversity representation and achieving workforce inclusion is a two-stage process with each stage affecting the other in a circular way (see Figure 10.1) (Mor Barak & Travis, 2010). The first stage is reactive: Organizations are recruiting and employing a more diverse workforce.

Figure 10.1  A Circular Two-Stage Process of Diversity and Inclusion

Stage 1: Reactive
Demographic representation in the workplace

Stage 2: Proactive
Diversity management and inclusion efforts

Source: Mor Barak & Travis (2010).
workforce. The second stage is proactive: Organizations are investing efforts in active diversity management with the aim of enhancing inclusion and fostering organizational effectiveness in their workforce.

The focus of organizations at the first stage is on capturing the diversity that is available in the workforce. Work organizations at this initial stage are interested in gaining a foothold, in employing qualified individuals in accord with the changing demographics of the available talent and the populations they serve. From this perspective, key considerations include “Are we able to attract diverse talent into our workforce?” and “To what extent do we reflect our client base?”

At the second stage, organizations invest efforts in creating a culture that accepts and values diversity to increase a sense of inclusion for workers from various identity groups. Key considerations in this stage include the following: “To what extent do our policies and practices attract and retain the most well-qualified and diverse individuals?” “Is our organizational culture inclusive and culturally competent?” “To what extent are employees from different identity groups participating in formal and informal networks and are actively involved in the decision-making process?”

Leadership and global diversity are connected in two complementary ways. First, although some dimensions of organizational leadership are universal, others are culture specific (Dorfman et al., 2012). Given the trends for a more diverse and global workforce, the ability of leaders to manage a diverse workforce and to bridge cross-cultural differences will become central for their ability to perform their jobs effectively. Second, leaders have an important role in inspiring organizations to become more inclusive and in creating an organizational culture of inclusion. For organizations to become truly inclusive, it is not enough that they have policies and guidelines in place; there needs to be a deep conviction in the importance of inclusion. This level of commitment to diversity and inclusion can only come from the very top of the organizations. Rather than ignoring differences between individuals and among groups in the organization, leaders can embrace diversity by implementing a diversity and inclusion strategy, such as the IBM example (Thomas, 2004) and use it as a tool to enhance their business. The connection between diversity and leadership is exemplified by J. T. Childs Jr. (2005), IBM’s former vice president for global workforce diversity:

Diversity is becoming a key factor in helping to define leadership in today’s marketplace. Workforce diversity is about effectively reaching our customers and markets. As a company we are clearer than ever before about our values and commitment to diversity. (p. 117)

SUMMARY AND CONCLUSION

The globalizing economy and the increase in the number of multinational corporations make diversity management a necessity for companies that want not only to survive but thrive during this time of economic, social, and cultural changes. Diversity management refers to the voluntary organizational actions that are designed to create through deliberate policies and programs greater inclusion of employees from various backgrounds into the formal and informal organizational structures. Diversity management, compared with its predecessors (equal
opportunity legislation and affirmative action programs), is proactive and aimed at creating an organization in which all members can contribute and achieve to their full potential.

The reasons for implementing diversity management include having to adapt to the new reality of a workforce that is increasingly diverse, doing the right and moral thing, and gaining a competitive advantage. Diversity management has three main characteristics: (a) it is voluntary, (b) it uses a broad definition of diversity, and (c) it aims at providing tangible benefits to the company. Finally, implementing diversity management can give companies a competitive advantage in areas such as problem solving, corporate image, and marketing.

Organizational leadership is closely connected to diversity management in two complementary ways. First, although some dimensions of organizational leadership are universal, others are culture specific and the ability of leaders to manage a diverse workforce is becoming central for their ability to perform their jobs effectively. Second, leaders have an important role in inspiring organizations to become more inclusive and in creating an organizational culture of inclusion.

The challenge of diversity management is to break the harmful cycle that equates cultural difference with social/economic disadvantages. Therefore, although the emphasis on the business advantage of diversity management is probably a good motivator for companies to enact diversity programs, it does not mean that moral and ethical missions should be neglected or overlooked. To overcome these potential limitations, diversity management has to focus on both enhancing profitability and fostering social justice.

NOTES

4. See Chapter 2 on international legislation.
5. One has to be careful about broad generalizations with respect to EU countries because legislation and public policies may vary greatly from one country to another. For example, France has long had a policy that implies (when translated) that “diversity statistics” are illegal to compile. Hence, it is difficult to know for certain whether the goals of diversity, equality, and nondiscrimination are being achieved—in both the private and the public sector.
6. The Brazilian National Program of Human Rights was created in 1996 to implement international human rights declarations, including the ILO 111 convention on employment discrimination, though the latter was ratified by the Brazilian government earlier in 1965 (Fleury, 1999).
7. See a quote from Thomas (1996, pp. 109–210) earlier in the chapter referring to the jelly bean image with respect to diversity management.
8. For example, during the high-tech boom of the 1990s, countries like Canada, Germany, and the United Kingdom revised their immigration policies to attract skilled workers from other countries like China and India in order to supply the much-needed workforce for their computer and high-tech industries.