The Business of Diversity Management

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Since King’s time, there has been at the heart of diversity management a fundamental need to promote equality in organizational processes and systems. While this has fostered important human resource management practices that target equality—grievance procedures, formal hiring and promotion systems, systematic recruitment schemes—the new managerial mandate has shifted away from simply promoting fairness and equality toward identifying unique perspectives from an increasingly diverse workforce that translate into tangible business value.

Businesses increasingly recognize that their success is strongly tied to the trends and preferences of a more diverse marketplace. In this respect, diversity management holds that having diverse personnel in business is essential to tapping into growing markets, adapting to environmental pressures, and capitalizing on emerging opportunities. To succeed in this new environment, organizations must draw on the full scope of human talents, qualities, perspectives, and skills as part of their larger strategies. Therefore, diversity management no longer concerns just fairness and equality, it also embodies a meaningful appreciation for different patterns of thinking, beliefs, and cultural assumptions as preconditions for learning and effectiveness.

When businesses apply diversity management, however, there is often great confusion about what constitutes “diversity.” First, it can be classified into two general areas: surface diversity and deep-level diversity. Surface diversity represents the visible indicators of difference, such as race, ethnicity, gender, and age. It is commonly employed in corporate diversity training programs, recruitment practices, and related policies. Surface-level diversity is easily measured and can be effective in driving corporate outreach policies, for example.

Deep-level diversity consists of attributes that are more difficult to measure, such as attitudes, values, beliefs, and perspectives. Since deep-level diversity can be informed by intersecting surface-level attributes (age, gender, etc.), it gives rise to variously situated social identities that are made clear through repeated interactions with colleagues. Deep-level diversity weakens the

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influence of surface-level attributes by challenging biases linked to stereotypes. Yet while it is easy to embrace the limited number of attributes contained in either the surface- or deep-level categorizations, it is important to note that any social category underrepresented in a particular context can be considered for diversity inclusion. This holds all organizational members responsible for ensuring that different social categories are respected and validated.

**Putting the “Diversity” in Diversity Management**

Diversity management, in the popular sense, uses differences in surface- or deep-level categories to create social and economic value. It is a distinct set of practices conceptually related to Affirmative Action/Equal Employment Opportunity (AA/EEO) policy, but different from it in that diversity management primarily concerns the voluntary promotion of diversity-relevant activities that benefit organizations. In a related sense, diversity management also means fostering inclusivity through socially integrated workgroups. It refers to the creation of conditions where people of diverse backgrounds and worldviews can develop their capacities and contribute to organizational goals. Some observers have even described diversity management as the recognition and valuation of cultural differences, informational exchanges, and alignment in functional expertise or background knowledge.

At the end of the day, business leaders must pay close attention to practices that affect the bottom line. This logic strays not too far from the late business diversity champion Roosevelt Thomas’s observation that diversity efforts are best supported when they are aligned with business outcomes. The architect of Coca-Cola’s Diversity Leadership Academy, Thomas (1945–2013) reasoned that an economic justification for diversity was a far superior rationale to impress upon managers than were social and moral ones, regardless of their societal value. The key argument here is that the greater the tie between diversity and performance, the more an organization will commit to investing in resources to support diversity efforts, a phenomenon scholars call the “business case” for diversity. Consequently, examining links between diversity efforts and specific business outcomes has become an important area of inquiry.

**Diversity Management and Business Performance**

Effective diversity management has a strong impact on organizational performance. One metric often used to assess this relationship is the degree to which companies are compositionally diverse, which refers to the numeric representation of various diversity groups. This approach makes organizational sense, because it encompasses surface-level attributes that are easy to count and observe, and therefore can be used to gauge the success of staffing and recruiting efforts. Companies that adopt the approach typically showcase the composition of their workforce in order to assess its value for diversity and show where they might improve. This could mean publishing the number of women they employ, or emphasizing the diversity of their workforces in brochures, leaflets, pamphlets and websites. But perhaps the most logical argument in its favor is that it makes diversity a point of positive differentiation from competitors.
How Does Diversity Affect the Bottom Line?

Visible diversity management practices send a message to external stakeholders that an organization is fair and inclusive. Studies have shown that organizations are rewarded for this sort of commitment by way of increased economic returns and investments. Moreover, high levels of compositional diversity allow firms to signal important information to labor markets about their ability to attract and retain workers from diverse backgrounds. There is general agreement among scholars that diverse job seekers form favorable impressions about a prospective employer when they see that the company hires people who look like them. Avery and colleagues (Personnel Psychology, 2006) found that job seekers who believed it was important to engage with diversity groups other than their own were also more likely to pursue employment with an organization that valued diversity because, to them, it increased the chances of their own identities being affirmed. Ng and Burke (International Journal of Human Resource Management, 2005) found that high achievers rated organizations with diversity management programs as attractive places of employment. In fact, among the 12 criteria in the 2014 edition of its annual “Great Colleges to Work For” feature, the Chronicle of Higher Education lists diversity fourth.

Taken together, perceived compositional diversity and the existence of a diversity management program seem to greatly expand the potential pool of applicants available to an organization while at the same time appealing to high achievers who are likely to reciprocate with supportive work behavior.

Also, by appearing diverse, businesses can create opportunities to make meaningful connections with important stakeholder groups and customers. The U.S. population has changed dramatically over the past four decades. The Bureau of Labor Statistics (BLS) predicts that by 2020 the U.S. labor force will be significantly older and more racially and ethnically diverse. This will create a new pattern in spending power, which suggests the potential to develop new markets for products and services. Firms adjusting their workforce demographics to match the needs of emergent customer groups stand to benefit substantially as these markets continue to grow, and increase the overall effectiveness of sales, marketing, and product development efforts. In addition, when a firm employs people whose demographics resemble those of its targeted customer groups, it signals to these groups that it values their experiences, beliefs, and opinions. Likewise, firms employing members of diverse groups benefit tremendously from cultural experiences and understanding that would be unavailable were such diversity inaccessible or nonexistent.

For example, Phillips and colleagues (Personality and Social Psychology Bulletin, 2009) found that members of homogeneous groups were more inclined to share unique viewpoints when more diverse members were included in the group. Moreover, members were also more likely to use diverse viewpoints to either validate or reexamine the logic supporting particular courses of action.

Finally, diversity also benefits company performance when the opinions, values, and experiences of a diverse workforce cross-fertilize to create novel insights and innovative performance. When people band together according to their more visible surface-level attributes, it can create subgroups that prevent effective group performance. On the other hand, research tells us that as diverse employees interact during group tasks, they discover similarities that lead to deeper levels of cooperation and communication. Susan Fiske notes in Reducing Prejudice and Discrimination (2000) that an increased sense of interdependence among diverse group members leads them to value others on the basis of their individual qualities, resulting in a better understanding of members’ needs, interests, similarities, and perspectives. Though scholars have often emphasized the role of conflict in diverse groups, studies now show that diverse teams with properly managed conflict are often more creative, arrive at better decisions, and are more innovative than their homogenous counterparts.

The Role of Diversity Training and Leadership

Given what is at stake, it is no wonder that formal diversity training programs have received so much attention over the past 25 years. Though many training methodologies have been devised and published, there is much convergence on the idea that training programs should emphasize diversity awareness as a means to promote positive intergroup interactions. This often
November 2014

Diversity-training efforts alone are inadequate if they are not fully anchored in an organizational culture that has made diversity and inclusion a primary part of its mission. Whereas an employer may use industry-established best practices to differentiate it from competitors, a company committed to a culture of inclusion accepts diversity as a maxim governing its existence. These companies conduct systematic audits to assess the degree to which diversity is integrated throughout their systems, levels, and processes. They make frequent use of diversity assessment measures, hold managers accountable for creating inclusive work environments, and recognize diversity as an essential tool with which organizations create value for themselves and their stakeholders. This often means thinking differently about established power structures and learning to value individuals for their intrinsic as opposed to instrumental value.

But perhaps the most salient indicator of a company’s commitment to diversity and inclusion resides in its leadership. Whether elected or appointed, leaders should know that their constituents expect certain behaviors from them. In leading a diverse organization, this means showing high levels of trust and sensitivity, encouraging full participation of all members in organizational systems, showing interest in and appreciation for viewpoints and concerns different from one’s own, being transparent about how decisions are made, and maintaining attitudes that foster good communication. Leaders must also show genuine compassion and concern for all organizational members in both their public and private actions if they are to promote the common good and health of the organization. Most importantly, leaders must champion a discourse that affirms both the organization and the people they employ.

Although no one approach to diversity management fits all circumstances, it is becoming increasingly clear that targeted and deliberate diversity leadership programs are required for long-term organizational success. And though the benefits have been expressed through the narrow lens of financial profit, there are many other positive outcomes that do not lend themselves directly to measurement.

Workplace diversity involves everyone’s values and the pursuit of both communal and individual good. Diversity management might have less to do with learning about others than discovering new and unimagined parts of ourselves. And that cost-benefit analysis requires no business case.

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takes the form of workplace seminars and information sessions that provide important diversity facts, details of group-member experiences, knowledge about how cognitive bias works, and suggestions for improving the capacity for empathy. Businesses may even instruct employees on the importance of creating and managing a shared organizational identity in which members connect to one another through a common sense of purpose, conviction, and meaning. Tony Hsieh, CEO of Zappos.com and author of Delivering Happiness (2010), argues that a strong set of core values can foster a culture where everyone identifies with diversity, which for Zappos means being open-minded, humble, and committed to pursuing growth and learning. Other diversity interventions focus on behavioral changes in interpersonal communications, so that employees can better communicate across cultural margins and integrate different worldviews in ways that lead to better business decisions. Regardless of whether training focuses on improving interpersonal processes or raising diversity awareness, it is important that any training be done as an integrated set of practices rather than a loosely configured campaign of isolated ones. Jakari Griffith is Assistant Professor in the Department of Management.