

Leveraging Diversity for Business Excellence

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The Top Five Business Reasons for Implementing Diversity Management

Top 5 reasons organizations develop a diversity management strategy are:

1. Markets and Customers
 - To mirror customers and increase sales
2. Global Business
 - To integrate multinational business units
3. Productivity
 - By enhancing commitment and creativity
4. Today's Workforce
 - To recruit the best from a diverse pool of talent
5. Human Resources Management
 - To save costs associated with turnover, HR complaints

Diversity and the Bottom Line

- A U.S. study found that the stock of firms in *The 100 Best Companies to Work for in America* consistently and dramatically outperformed the *Standard and Poor's 500* stock prices over a 10-year period.
- Another study found that companies with progressive affirmative action and equal employment opportunity programs had unusually high profitability and financial growth over a 25-year period.

Diversity and Share Prices

- A U.S. study examined the impact of effective and ineffective diversity management on share prices.
- Organizations with ineffective diversity management (defined as having been found guilty of discrimination) suffered significant share price losses.
- Organizations with effective diversity management (defined as having won a Department of Labor award for affirmative action) experienced significant increases in share prices.

The Impact of a Positive Diversity Climate

Research shows that a positive diversity climate is associated with positive employee outcomes including:

- Increased job satisfaction
- Higher organizational commitment
- Lower turnover intentions

Positive organizational outcomes include:

- Better sales performance
- Higher productivity
- Greater returns

Effective Management of Diversity

- A good manager treats people fairly and creates an environment supportive of high performance.
- A good manager of diversity recognizes that these goals can only be fully achieved when cultural differences are recognized, respected and leveraged.
- Good diversity management means utilizing the differences between employees to create new ways of thinking, spur creativity, reach better decisions, enhance flexibility and deliver more effective service.

Three Models of Diversity Management

- The 3 main approaches organizations use in managing diversity form a continuum which reflects the degree of diversity integration. The 3 models are:



The Discrimination and Fairness Model

- the dominant model of diversity management
- it is not a proactive stance - the preoccupation is with compliance with legislation
- focuses on ensuring non-discrimination
- assumes that differences do not really matter and so tries to foster assimilation
- employees do not feel comfortable contributing knowledge based on their minority experiences

The Access and Legitimacy Model

- recognizes that cultural differences do matter
- slots people from different identity groups into specific roles (e.g. minority employee marketing to minority customers)
- this leaves some minority employees feeling exploited and facing few career opportunities
- different points of view do not affect the core business or diffuse throughout the organization so niche roles operate like separate companies with no sharing of skills

The Learning and Effectiveness Model

- represented by a minority of organizations
- recognizes the importance of cultural differences
- uses cultural differences to rethink how the organization does its work
- open discussion and respect for differences leads to the consideration of new issues and the framing of issues in creative new ways

The Three Models Contrasted

- the discrimination and fairness model focuses on assimilation
- the access and legitimacy model focuses on differentiation
- the learning and effectiveness model transcends assimilation and differentiation and focuses instead on integration

The Learning and Effectiveness Model is Rare in Practice

- The learning and effectiveness model is an emerging paradigm which only a small number of companies are currently working toward.
- Research on the diversity efforts of Canadian companies suggests that:
 - 70% focus on legislative compliance;
 - 25% focus on market reasons; and
 - 5% focus on organizational effectiveness.

Conditions Supporting the Learning and Effectiveness Model of Diversity Management

- the leadership of the organization must truly value variety of opinion
- the organization must have a well-articulated and widely understood mission
- the organizational culture must:
 - sustain high standards of performance
 - stimulate personal development
 - encourage openness
 - make workers feel valued

An Organizational Culture that Facilitates Diversity

- An organizational culture that facilitates diversity will:
 - distinguish between core and peripheral norms,
 - have strong core norms regarding what is essential for the organization's success, and
 - have peripheral norms that are non-prescriptive (i.e. tolerant of differences in style).

Drivers of Diversity Culture Change

There are 3 major drivers of culture change for organizations dealing with diversity:

1. Staffing
2. Education
3. Rewards

“If we can tap the total contribution that everybody in our company has to offer, we will be better and more competitive in everything we do.”

John Smale, Former Board Chair
Procter & Gamble