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Human Resource Strategies to Manage Workforce Diversity

Examining ‘The Business Case’

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In this chapter, we discuss the human resource management (HRM) perspective on workforce diversity. This viewpoint highlights the development and implementation of organizational initiatives that (1) increase the numerical representation of historically excluded groups; (2) empower a diverse workforce once it is in place to participate fully in organizational decision making; and (3) ensure the inclusion of a diverse workforce in every aspect of organizational life (Kossek & Lobel, 1996). The business case for HR diversity strategies links recruitment, selection, development and retention of a diverse workforce to business goals, labor market shifts, globalization and competitive advantage (Yakura, 1996).

Data from the US Department of Labor (2004) illustrates the continuing need for diversity strategies. Whites hold a larger than proportionate share of management occupations (88.4%) relative to other races and ethnicities (e.g. 5.7% for blacks, 5.9% Hispanics). If proportions mirrored the population, we would expect whites to comprise 75% of management, with blacks and Hispanics doubling current rates. In 2002, women represented 47.5% of the managerial and professional occupation, but mainly occupied ‘female-dominated’, relatively lower-paid occupations (e.g. school teachers) within these professions, while men were nine times as likely to be engineers and scientists. Turning globally, the Gender

Promotion Programme of the International Labor Organization (www.ilo.org) concludes that while globalization has created unprecedented economic opportunities, it has also deepened social inequalities. Only 54% of working-age women are in the workforce worldwide compared to 80% of men. Further, women continue to dominate the ‘invisible care economy’, which relates to caregiving and domestic work. The ILO report notes that although more and more women are obtaining paid work, most new employment in developed countries has been in part-time jobs, while in developing countries women have gone mainly into the informal sector and home-based work. Globally, women earn 20–30% less than men and hold only 1% of chief executive positions.

Table 2.1 gives an overview of diversity management strategies, which involve setting objectives (first column), translating objectives into programs and policies (second column) and finally establishing measurement outcomes (third column). For example, the organization might establish attracting a wider pool of talent as an objective. Then managers develop methods of achieving the objective, such as ensuring that women and minorities are on the interview shortlist for potential hires. Measurement outcomes might reflect the ratio of acceptance of job offers, and turnover exit interview data.

In this chapter, we review three principal research streams on the effectiveness of HRM diversity strategies (see Figure 2.1). The first stream investigates how particular HR practices influence workforce diversity. As Table 2.1 shows, diversity strategies can target individual, group and/or organizational outcomes. The second stream examines how the presence of diversity in the workforce affects outcomes, and the third stream directly links HR practices to outcomes.

We conclude with future research suggestions and a critique of the business case.

HR PRACTICES AND WORKFORCE DIVERSITY

HR diversity practices have broadened beyond affirmative action (AA) and equal employment opportunity (EEO) staffing efforts. Additional best practices include establishing a visible Diversity Advisory Committee, conducting mandatory training, and targeting communications to different affinity group members (Jackson, 2002).

The first research stream examines the effects of adopting specific HR practices on measures of workforce diversity. For example, Goodman, Fields and Blum (2003) surveyed HR managers in several hundred employers in Georgia. They found a positive relationship between emphasizing employee development and promotion and the representation of women.

Typically, researchers are interested not only in overall numbers, but in representation at different levels. In a cross-sectional study of over 100 organizations, Konrad and Linnehan (1995) found that identity-conscious HRM structures – those that explicitly address demographic group representation in HR decision making

TABLE 2.1 Objectives and indicators of effective diversity

| Objectives of HR strategies | HRM initiatives in organizations | Indicators of achievement of objectives |
|--|---|--|
| <p>Enhanced organizational effectiveness: Meet a moral imperative; do the 'right thing'</p> | <ul style="list-style-type: none"> Recruiting efforts that highlight the organization's commitment to, and efforts to support, diversity in the workplace and external community Developmental assignments that expose employees to multiple cultures Implement formal and informal mentoring programs Incorporate diversity issue items into employee attitude surveys Encourage network and support group areas and potential skill-building/advancement opportunities | <ul style="list-style-type: none"> Assessment of corporate citizenship Positive feedback from multiple stakeholders (shareholders, employees, labor organizations, communities) Outside recognition, reputation Structural integration (across levels, functions, titles, privileges) Inclusive work environment; all voices encouraged and heard |
| Reduce labor costs | <ul style="list-style-type: none"> Maintain database of workforce demographics to identify potential areas in need of intervention Reward managers who effectively manage diversity | <ul style="list-style-type: none"> Absenteeism Turnover Productivity |
| Reduce legal costs associated with lawsuits and grievances | <ul style="list-style-type: none"> Monitor recruiting, hiring, promotion and compensation systems for compliance and equity Implement 'open door' policies and other processes to facilitate employee communication of grievances Articulate 'zero tolerance' of harassment and discrimination and diligently observe this commitment Expanded job posting | <ul style="list-style-type: none"> Number of EEO complaints and grievances; associated costs Distribution of economic and social benefits, e.g. rates of advancement, access to training and development opportunities |
| Enhance the organization's reputation | <ul style="list-style-type: none"> Market the organization's commitment to diversity through various channels, such as the organization's website, targeted trade and other group-affiliated periodicals, local newspapers and sponsorship of community events | <ul style="list-style-type: none"> Public knowledge and assessment Awards |
| Have policies and programs that are responsive to the changing demographic profile of employees | <ul style="list-style-type: none"> Flexible benefits that address a broad range of employee work and family needs Employee feedback incorporated into management performance evaluation Linking organizational awards, such as promotions and compensation, to the achievement of diversity goals | <ul style="list-style-type: none"> Number of relevant programs and policies (e.g. training) Program utilization rates Employee satisfaction with programs and policies (measurement not limited to beneficiaries) Management accountability |

(Continued)

TABLE 2.1 (Continued)

| Objectives of HR strategies | HRM initiatives in organizations | Indicators of achievement of objectives |
|--|--|--|
| Attract a wider pool of talent | <ul style="list-style-type: none"> • Expand recruiting efforts to specifically targeted audiences through periodicals, job fairs, selected colleges and professional affiliation groups • Offer recruitment incentives; tap into the network groups of current employees | <ul style="list-style-type: none"> • Demographic characteristics of candidates • Demographic characteristics of hires |
| Retain a wider pool of talent | <ul style="list-style-type: none"> • Implement formal and informal mentoring programs • Incorporate diversity issue items into employee attitude surveys • Encourage network and support groups | <ul style="list-style-type: none"> • Demographic characteristics for voluntary and involuntary turnover populations • Retention rate of high-potential employees • Retention rate by function, level |
| Effect cultural change consistent with program and policy changes | <ul style="list-style-type: none"> • Implement formal and informal mentoring programs • Identify high-potential employees • Incorporate diversity issue items into employee attitude surveys • Encourage network and support groups | <ul style="list-style-type: none"> • Cultural audit • Integration of diversity with other programs, e.g. orientation • Top management support • Number and level of managers involved in diversity initiatives • Frequency of communication about importance of diversity in organization |
| Offer better service and marketing for a diverse customer base | <ul style="list-style-type: none"> • Incorporate customer feedback into performance appraisal • Provide recognition and/or rewards for employees who contribute to customer service initiatives | <ul style="list-style-type: none"> • Customer satisfaction with quality of products and services • Market share for target population or region |
| Enhance ability to innovate because of utilization of diverse perspectives | <ul style="list-style-type: none"> • Provide training and resources for diverse teams • Provide team-based recognition and/or rewards for contributions to successful design and marketing efforts | <ul style="list-style-type: none"> • Quality and profitability of new products and services • Diverse composition of decision-makers |
| Reinforce business strategies | <ul style="list-style-type: none"> • Recruit and retain a committed workforce by ensuring a work environment that values and includes all employees | <ul style="list-style-type: none"> • Profitability • Increased market share • Progress toward globalization • Quality • Customer service and marketing |

(Continued)

TABLE 2.1 (Continued)

| Objectives of HR strategies | HRM initiatives in organizations | Indicators of achievement of objectives |
|--|---|---|
| Enhanced individual and work group effectiveness: | | |
| Improved job satisfaction and performance of individuals | <ul style="list-style-type: none"> • Conduct regular employee attitude surveys • Implement effective means to solicit and respond to employee concerns • Provide appropriate training to all employees | <ul style="list-style-type: none"> • Individual job satisfaction and performance • Existence of support networks; frequency of meetings; impact • Promotion rates of trainees |
| Increased awareness and understanding of issues | <ul style="list-style-type: none"> • Provide awareness training for all staff • Provide cross-cultural skill-building opportunities and resources • Maintain reference library and promote its use | <ul style="list-style-type: none"> • Changes in perception, e.g. stereotypes |
| Improved quality of team problem solving | <ul style="list-style-type: none"> • Provide resources and time to facilitate team socialization • Communicate team's accomplishments throughout the organization • Provide formal team feedback | <ul style="list-style-type: none"> • Team commitment and performance |
| Improved abilities to work with and manage people of diverse backgrounds | <ul style="list-style-type: none"> • Provide conflict-management training • Provide managerial training • Include hiring and climate measures in performance appraisal criteria for managers | <ul style="list-style-type: none"> • Satisfaction with coworkers • Managerial skill development (e.g. flexibility, interpersonal and communication skills) • Individual accountability for climate, hiring records |

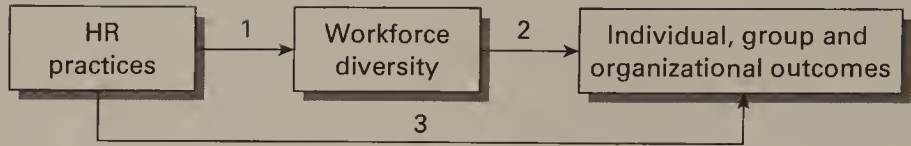


FIGURE 2.1 HRM diversity research streams

(e.g. setting diversity hiring goals) – are linked to the greater representation of women and minorities in management. Reskin and McBrier (2000) used data from the National Organization Survey (Kalleberg, Knoke, Marsden & Spaeth, 1994) and found that organizations with formalized HR practices (e.g. written documents for hiring and firing) had higher percentages of women in management. They theorized that status positions or opportunities in large organizations are less likely to be distributed based on ascribed characteristics (i.e. sex stereotypes of productive managers) when formalized personnel practices exist (cf. Elvira & Graham, 2002).

Leck and Saunders (1992) studied compliance with Canada's Employment Equity Act, the legislation to increase workplace representation of women, disabled persons and minorities. They found that employers who had more formalized programs hired more women. They measured formalization through an Employment Equity Program (EEP) effectiveness scale. Regression analyses showed the strongest effects between EEP compliance and the representation of managerial women.

French (2001) developed a typology of effective equal employment implementation for the entire population ($n = 1976$) of large Australian private sector organizations. She identified four equity profiles: traditional (non-compliance), anti-discrimination, AA and EEO. Only the AA approach to equity management resulted in increases in women in management across all tiers.

A major unpublished Ford Foundation study of non-profit boards shows a cascading effect from hiring practices (Burbridge, Diaz, Odendahl & Shaw, 2002). By hiring more than one female or minority board or staff member, a cascade effect followed as these hires make subsequent recruitment easier through their access to networks and talent pools. This expansion shaped institutional cultures and made retention easier.

In some research, HR diversity practices have not been associated with increases in diversity. In their study of Society for Human Resource Management (SHRM) members, Rynes and Rosen (1995) found little support for the notion that the adoption of diversity training correlates with top management diversity or increases in workforce diversity. Konrad and Linnehan (1995) found no relationship between formalized HRM structures and percentage of minorities at higher ranks of management. Moreover, Blum, Fields and Goodman (1994) found that companies that have more women and blacks sometimes can be worse places to work (e.g. lower salaries, more turnover), highlighting the issue that demographic diversity is not a proxy for diversity initiatives.

Furthermore, although academics and practitioners hope that diversity initiatives will have positive outcomes, there are occasionally undesirable impacts – those that

perpetuate disparate treatment of women and minorities. Cox and Blake (1991) argued that organizations that valued diversity would have greater marketing capability by mirroring increasingly diverse markets. By matching customers and service providers on racial characteristics, Brief (1998) shows how Shoney's restaurants enacted the business case argument to the detriment of black employees. Throughout the chain, 75% of black employees held jobs in three low-paying, non-customer-contact positions. Senior leadership espoused the business justification that the restaurant's white customers preferred to be served by white employees.

Collins' work (1997) also exemplifies unintended consequences. She interviewed 76 of the most successful black executives in Chicago. She examined their job descriptions and coded them as racialized if the position had some link to African American issues, or mainstream if the job involved roles without racial implications. She documents how these executives are often relegated to what she calls 'racialized roles' in organizations, such as marketing to blacks or the job of equal employment officer. Those with racialized roles had lower advancement and mobility rates and less skill development than those with mixed or mainstream job histories.

Indeed, many leading corporations have been effective in hiring women and minorities to mirror their increasingly diverse markets and win over new customers (Perlman, 1992); but they have been less successful in retaining and promoting those hired (Blum, Fields & Goodman, 1994; Goodman et al., 2003). Observing this trend, Thomas (1990: 108) encouraged employers to move 'From affirmative action to affirming diversity', arguing that 'women and minorities no longer need a boarding pass, they need an upgrade'. For this reason, Cox (2001) advises companies to measure the identity profile or demographics of defined work groups. Using this data, an intervention may be designed to increase the representation of minorities and women in top management, in line functions that have direct profit and loss responsibility, or in functions where they have been historically under-represented such as engineering. Thomas and Gabarro (1999) recommend that firms address specific racial barriers to advancement at each career stage.

Overall, studies in this research stream have generally shown a positive association between formalized HR practices and workforce diversity. Increasing workforce diversity is only one piece of the puzzle, however. Important questions about effectiveness can be answered by examining links between diversity and performance outcomes as discussed below.

ASSOCIATION OF WORKFORCE DIVERSITY WITH INDIVIDUAL, GROUP AND ORGANIZATIONAL OUTCOMES

The second research stream measures associations between the presence of diversity and performance outcomes measured at individual, group or organizational levels. At the individual level, researchers have measured relationships between

demographic diversity and attitudes and performance ratings. At the group level, researchers have measured effects of group diversity on variables such as cooperative behavior and social cohesion. At the organizational level, outcome variables include turnover rates, productivity per employee and profitability.

Workforce Diversity and Individual Outcomes

Today, there are many individuals who view overt prejudice against women and minorities as socially and organizationally unacceptable. They believe that organizational decision-makers hold the same beliefs and therefore view discrimination as an outdated issue. Because 'modern racists' believe that discrimination is a thing of the past, they may believe that women and minorities are using unfair tactics to demand workplace advantages, which they do not deserve on the basis of merit (Brief & Barsky, 2000). Regarding workplace relations, modern racism does not result in hate toward minorities and women, but rather discomfort, fear and avoidance by majority members (Brief, 1998), which lessens majority members' commitment to the diverse group and organization.

Some studies show that individuals have more favorable attitudes toward diversity initiatives when their work groups are more demographically diverse. Kossek and Zonia (1993) found that regardless of one's individual demography, faculty in work groups with greater gender diversity had more favorable attitudes toward organizational efforts to increase diversity, relative to individuals in other units with less diversity.

Kanter (1977) emphasized how a minimum number of employees, who represent a minority in a group, create a critical mass that can protect the minority members from negative stereotypes. Ely (1995) reported that an increase in the proportion of women in upper management is associated with a reduction in stereotyping. Kossek, Markel and McHugh (2003) note the importance of identifying tipping points, defined by Kanter (1977) as having a sufficient critical mass of minorities in groups, for effectiveness in diversity change strategies. Webber and Donahue (2001) suspect the relationship between amount of group diversity and performance may be curvilinear: too little or too much diversity may be detrimental to group functioning.

Tsui and Gutek (1999) summarized consistent findings that show higher demographic similarity between supervisors and subordinates on age, race or gender correlates with HR outcomes such as higher ratings on performance, organizational citizenship, and lower role ambiguity and conflict. Leck, Onge and LaLancette (1995) found that Canadian organizations with higher representation of managerial women also have the most rapidly decreasing wage gap; however, the wage gap was widening for visible minority, Aboriginal and disabled women.

Overall, increasing workforce diversity seems to be associated with more favorable attitudes toward diversity and better performance ratings and wages. The effects of diversity on individuals are often intertwined with effects on groups.

Workforce Diversity and Group Outcomes

Results from studies examining effects of diverse group composition on group attitudes and performance are mixed. McLeod, Lobel and Cox (1996) found that more diverse groups had better-quality solutions on a brainstorming task, relative to homogeneous groups, and displayed more cooperative behavior (Cox, Lobel & McLeod, 1991). Yet major reviews of the diversity literature (Milliken & Martins, 1996; Tsui & Gutek, 1999; Williams & O'Reilly, 1998) conclude that the greater the demographic diversity in groups, the lower the social cohesion. Members who are different from others are more likely to exhibit turnover, as Elvira and Cohen's (2001) examination of the personnel records of employees at a Fortune 500 company suggests. Women were more likely to turn over when fewer women were employed at their job level. Finally, Webber and Donahue's (2001) meta-analysis found no relationship between diversity or type of team on work group cohesion and performance.

Researchers recognize the importance of measuring the tenure of members on the team; as individuals get to know each other better, the negative effects of diversity often subside (Watson, Kumar & Michaelsen, 1993). Besides demographic diversity, other variables such as congruence in values (Harrison, Price & Bell, 1998) are relevant.

Benschop (2001) observes that most of the research showing positive relationships between diversity and group performance is limited to laboratory studies or experiments with MBA students (Cox et al., 1991; Watson et al., 1993) and generally has not been replicated in organizations.

We need more complex studies within organizations to understand these issues.

Workforce Diversity and Organizational Outcomes

A workforce that is diverse may increase customer demand for related products and services (Richard, Kochan & McMillan-Capehart, 2002). Resource-based strategic theory predicts that firms with greater cultural diversity will be better able to mirror increasingly diverse product markets and have more complex inimitable social resources (Richard, 2000).

Drawing on federal records, Cordeiro and Stites-Doe (1997) showed that the 1992 percentage of the representation of women managers in the largest US firms was positively related to firm performance (return on equity, return on assets). The effect persisted even after controlling for growth in resources.

Catalyst (2004) conducted a study of linkages between the gender diversity of top management and business performance in Fortune 500 companies. After controlling for size and industry, the study showed that firms with higher top management gender diversity had 35% higher return on equity and 34% higher total return to shareholders than other firms.

A large multi-employer field study on the effects of racial and gender differences on group and organizational performance indicates the importance of time lag and cross-level effects within firms. The research was conducted at four major

US firms that were leaders in supporting workforce diversity (Kochan et al., 2003). Comparing the performance, group process and financial results for comparable teams or business units by industry (information processing, financial services or retail), the authors concluded that there were few direct effects of workforce diversity on organizational performance.

Research increasingly suggests that the relationship between the presence of diversity and organizational performance may not necessarily be a simple direct positive or negative relationship. Instead, the relationship may depend on the type of strategy followed (e.g. innovation, growth). Richard's (2000) survey of over 500 banks found that those with more racial diversity and a growth strategy experienced higher return on equity and net income per employee, relative to organizations with a diverse workforce and a no-growth or downsizing strategy. Richard and colleagues resurveyed a subset of this sample several years later, and found a moderation effect: workforce racial diversity only significantly improved performance when the firm followed an innovation strategy (Richard et al., 2003).

Frink et al. (2003) suggest an inverted U-shaped relationship between gender composition and performance that may vary by industry. Relying on several national datasets, they found that increases in the representation of women are related to perceptual measures of productivity per employee and profitability only up to the point when an equal proportion of jobs are held by men and women – no higher. Richard et al. (2002) bemoan the fact that cross-sectional studies comprise most of the literature on organizational outcomes. In other words, the second research stream we have reviewed does not address the question of *causality* (i.e. whether diversity caused these outcomes or whether HR practices were at all relevant) – issues tackled by the third research stream.

HR PRACTICES AND INDIVIDUAL, GROUP AND ORGANIZATIONAL OUTCOMES

The third research stream investigates how HR practices lead to individual, group or organizational performance outcomes. Cox and Blake (1991) argued that heterogeneous organizations that valued diversity would have higher-quality group decision making, greater creativity and innovation, more organizational flexibility due to the possession of divergent thinking, greater ability to attract and retain the best talent, and greater marketing capability. These objectives can be realized via organizational change strategies and interventions. Interventions such as altered selection processes (individual focus), conflict management (group focus) and top management commitment (organizational focus) might all contribute to the effect that diversity has on firm effectiveness. Interventions target not only formal bottom-line outcomes, such as turnover and productivity, but also intermediate and informal process-oriented outcomes, such as the cultural experiences and quality of member interactions, teamwork and cooperation, and individual commitment and identification with organizational goals.

HRM Strategies to Change Individuals

Workplace diversity generally impacts organizational-level outcomes indirectly through effects that begin at the individual level (Rynes & Rosen, 1995). Diversity training is the most prevalent individual-level intervention (SHRM *Diversity Surveys*, 1998, 2000, 2002). Ford and Fisher's (1996) review states that training programs aim to change employees' attitudes (affective and cognitive) and behaviors to 'value diversity' and reduce subtle forms of discrimination and exclusion that hinder effective working relationships. They note three main types of training objectives. Programs fostering assimilation provide education about the norms and goals of the dominant culture and might target minorities. Programs focused on accommodation emphasize adjustment of the majority to the changing workforce. Programs emphasizing multiculturalism (where members of two or more cultures are allowed to retain key aspects of their cultures) involve a bilateral process jointly focused on the majority and minorities.

Training topics typically include stereotyping, prejudice, communication styles, and attitudes toward AA (Nkomo & Kossek, 2000). However, there is very little research analyzing the differential effectiveness of various training designs, such as whether they are mandatory or voluntary or emphasize moral or business arguments.

Lobel's (1999) review described the positive impact of diversity initiatives such as training on attitudes. Using a survey of SHRM members, Rynes and Rosen (1995) published one of the few refereed studies on the effectiveness of diversity training. While 75% of respondents state trainees leave diversity training with positive diversity attitudes, only 9% believed trainees enter with favorable attitudes. Similarly, 68% believed that employees are skeptical prior to training, whereas only 7% reported skepticism after training. Importantly, these were HR managers' estimates rather than actual measures of attitude change. Training success was also correlated with managerial mandatory attendance and rewards for increasing diversity, long-term evaluation of training results and defining diversity broadly. Despite these positive perceptions, this same study found that only one-third of organizations viewed diversity management training efforts as having lasting change.

Others have been unable to document the advantages of diversity training (MacDonald, 1993). One reason training may have limited impact is that most training programs reinforce norms, values and perspectives of the dominant organizational culture; the focus is on helping members of the non-dominant group to adapt to the majority (Tung, 1993). Another reason is that the training, itself, may not incorporate what we know about transfer of training. The training context may be different enough from the ongoing work context so as to make it difficult for trainees to exhibit behaviors similar to those learned in training (Ford & Fisher, 1996). A third reason may relate to insufficient skill levels of diversity trainers.

Roberson, Kulik and Pepper's (2003) review recommends that companies systematically conduct a training needs assessment. Additionally, training objectives – whether to raise awareness or develop multicultural skills or both – need to be

clarified. Social psychological research on stereotyping and linkages to prejudice reduction might also be more tightly incorporated into training design. Devine (1989) conducted several lab studies and found that change processes to support prejudice reduction were most likely to occur when a person was able to make active associations between both their personal belief structure and their stereotype structure. Regardless of whether a person tended to be a high or low prejudiced person, her research suggests that cognitive change is most likely to occur in training situations when social desirability demands are low.

Mentoring is another strategy targeting change at the individual level. Here a successful senior mentor is matched with a more junior woman or minority, with the objective of enabling under-represented demographic groups to move through 'glass ceilings' – the traditional, invisible barriers to advancement (Ragins, 2002; Thomas & Gabarro, 1999). Formal mentoring programs create a structure for pairing individuals; informal mentoring programs evolve from interactions individuals establish in the course of working together. Using a national sample drawn from professional associations, Ragins, Cotton and Miller (2000) conducted a mail survey on mentoring. The study showed that satisfaction with a mentoring relationship was a stronger influence on career attitudes such as commitment, job satisfaction, intention to turnover, and perception of organizational justice than program design or the mentor type (formal or informal). *Post hoc* analyses showed that although both men and women received similar mentoring information and had similar levels of satisfaction, women in formal programs had lower career commitment, suggesting that the selection of effective mentors through informal processes may be especially critical. Formal HR diversity strategies may be less effective for members of traditional out-groups, unless supported informally. Ragins (2002) urged firms to recognize that while formal programs help protégés deal with their jobs, informal programs help them deal with their lives.

Incorporating principles from research on intergroup contact, attitude change, persuasion and stereotype reduction may increase effectiveness. Developing 'affective ties' with out-group members, which increases information and empathy regarding the out-group and fosters social connections, reduces prejudice (Pettigrew, 1998). Rather than designing diversity initiatives to only focus on task issues such as imparting information, it may be useful to include opportunities to enhance social interaction.

Petty and Cacioppo (1990) argue that when persuasion depends on emotional appeals and values such as equality, it is less likely to produce lasting change. Rational appeals to the recipient's current goals and outcomes are more effective over the long term. Rather than using rhetoric emphasizing that diversity is the 'morally right thing to do', communication strategies might focus more on how these initiatives will help individuals personally be more effective on the job or help their company be more competitive. Individuals are more favorable toward affirmative action if it is framed as equal opportunity and not reverse discrimination (Bosveld, Koomen & Vogelaar, 1997).

Wood (2000) notes that behavioral influence strategies are more effective in changing attitudes when they involve participation in public acts that are designed

to alter the social definition of an object. These influence strategies can be more effective in shifting relevant privately held attitudes by focusing on changing the meaning and definition of an object instead of focusing on only changing attitudes toward an object. For instance, using ‘affinity group celebrations’ as an example of an object, having Hispanic–American employees design activities for an Asian–American affinity month (Jackson, 2002), rather than simply exposing them to announcements about the importance of affinity activities or cultural facts, illustrates one method that could be used to change definitions. In this way, attitudes toward affinity group celebrations may become a source of pride for those outside the affinity group, and yield not only a better cross-cultural understanding of others, but also a new outlook and personal definition of how diversity is honored within an organization and the social meaning of and personal rewards from such celebrations. For individuals from outside the affinity group, the celebrations are now less likely to be defined as an ‘activity that doesn’t pertain to me’.

Richard and Kirby (1999) found that explaining the business case for implementing a particular diversity program, such as diversity training, has a positive effect on attitudes towards the program. We need more studies on employee perceptions of workplace diversity programs, and additional constructs such as respondents’ legal knowledge of AA programs (Little, Murry & Wimbush, 1998).

In sum, HRM practices, such as diversity training and mentoring, have the potential to change attitude and career outcomes. We have learned how to make these efforts more successful, for example by incorporating social psychological principles into training design and by recognizing the unique advantages of informal mentoring.

HRM Strategies to Change Groups

Given evidence showing that work group diversity can lead to short-term, increased conflict among members (Pelled, Eisenhardt & Xin, 1999), focused training with an external facilitator may help the group to achieve higher levels of productivity in a shorter time. Training can target methods for raising, discussing and resolving difficult interpersonal, business and/or team-related process issues.

Some HR interventions at the group level involve identity-based networking groups, which are formal or informal associations of employees with common group identities. Friedman (1996) notes these separate affinity groups provide opportunities to connect socially and professionally to one another and enable members to make contacts that expand the range, strength and configuration of their social networks and reduce their isolation. Friedman and Holtom (2002) analyzed cross-sectional survey data from over 1000 minority employees in 20 networking groups for Asian, African American or Hispanic employees. Turnover intentions of managerial-level minority employees in networking groups were significantly lower than the intentions of minorities not in groups. They argued that more firms should establish networking groups, as these groups may

have outcomes that extend beyond group members. For example, a case study at Digital Corporation found that the presence of valuing diversity discussion groups does seem to improve a company's reputation (Walker & Hanson, 1992).

However, formal sanctioning of identity-based groups may have unintended negative consequences when they are perceived to be exclusionary or threatening, particularly by white males. This perceived threat can lead to negative reactions, or 'backlash when minorities are seen as attempting to develop power by individual or collective means' (Chemers, Oskamp & Constanzo, 1995). Flynn (1999) notes few companies offer formal mentoring and networking groups for white men, which may be perceived as unfair and 'reverse discrimination' by white males, who do not see themselves as contributing to a problem (Flynn, 1999).

Caproni's management skills text (2001) notes that cultural barriers become exacerbated in virtual teams, unless team-building activities such as face-to-face workshops, followed up with regular email, rotation of team meetings and cross-cultural communication training are conducted. The British Council, with over 6000 employees in 109 countries, created technology-based teams with these methods (www.britishcouncil.org). Interventions in global teams can include discussion of how diversity influences team processes.

Many questions about impacts of group-level interventions remain. For example, does providing formal team feedback on diversity climate improve team building or make it easier to integrate diverse points of view? We also need research to identify how programs targeted at the individual or organizational level impact groups. Based on an organizational simulation of 248 MBA students, Chatman, Polzer and Neale (1998) found that groups in organizations that promote a collectivist culture, where people look out for one another rather than just for themselves, are more likely to reap the benefits of diversity. These observations crystallize the importance of showing how interventions directed at one level affect processes that occur at other levels.

HRM Strategies to Change Organizations

A successful diversity strategy must address organizational culture change to create a work environment that nurtures teamwork, participation and cohesiveness – characteristics of a 'collective' (versus individualistic) organizational culture (Dwyer, Richard & Chadwick, 2001). Cox (2001) suggests starting with a visioning exercise for change that specifically identifies what success in a multicultural organization might look like. A diversity council with credible people from a cross-section of functions should be charged with creating a business diversity strategy and serving as a resource. Diversity should be strategically integrated with the business objectives (Richard, 2000).

Top management should model leadership behaviors such as conducting the feedback sessions of the results of an organizational diversity climate survey. If

diversity change efforts consist mainly of programs which lack the involvement of top managers and fail to address overall work processes, their long-term effectiveness in transforming the organizational culture is likely to be limited (Nkomo & Kossek, 2000). Thomas and Gabarro's (1999) study of US minority executives also echoed this theme: when a critical mass of senior executives were involved in supporting diversity efforts such as mentoring, or recruitment of minorities for top jobs, organizational diversity and upward mobility efforts were easier and more effective.

Establishing a formal measurement system is important early in the process to serve as a baseline for the current climate for diversity (Cox, 2001). Large amounts of data need to be collected to assess the dominant organizational culture and the perceptions of various employee groups. Cox stresses the importance of measuring the right indicators and identifies key organizational-level measures. These include the workforce identity profile to highlight demographic differences of defined work groups, cultural values and norms, power distribution between identity groups, whether employee acculturation fosters assimilation or pluralism, openness of informal social and communication networks, and HR policies and practices related to recruiting, promotion, pay, development, work schedules and the physical work environment. These measures yield information about the cultural barriers that may hinder the full and effective participation of all individuals and identity groups.

The outcome of diversity efforts should be systemic and structural organizational transformation (Litvin, 2002). Long-term culture change requires a significant commitment of resources and leadership (Cox, 2001). Organizations and researchers need to conduct regular employee attitude surveys about diversity and measure performance of managers. Organizational-level effects of this magnitude take time to materialize, with risks of setbacks and variable commitment over time. Few studies have been published using cultural audit survey data (an exception being Kossek & Zonia, 1993); most firms keep the data internal for fear of negative publicity or other adverse outcomes. Existing research provides some support for a contingency perspective on the effectiveness of diversity interventions targeting organizational outcomes (e.g. innovation). That is, the extent to which racial diversity will positively influence firm performance is contingent upon the firm's strategy and environment demands, and what it expects of its employees (Richard, 2000). The business case for diversity suggests that a diverse workforce and a supportive culture can bring about increased creativity. A diverse workforce, then, becomes a source of competitive advantage for firms that strive to achieve a high level of innovation.

Richard and Johnson (1999) conducted one of the few studies that investigates organizational advantages of formal diversity practices. They found that the adoption of formal diversity practices reduced turnover. While there was not a main effect of these practices on return on earnings, a strategic contingency relationship was supported: diversity practices correlated with improved productivity and market performance for firms following innovation strategies.

Turning to effective AA, Wright, Ferris, Hiller and Kroll (1995) note that while AA and managing diversity are not the same, discriminatory practices and guilty verdicts are examples of ineffective diversity management. Well-run AA programs indicate effectiveness in attracting a diverse workforce. Wright and colleagues used an event study methodology where one examines a significant change in stock price in the days immediately surrounding the event of interest. Focusing on 34 firms which received a Department of Labor award for their AA programs and another 35 firms which had major EEO settlements noted in the press, they showed that having an award-winning AA program was associated with better financial performance and having discrimination lawsuits related to worse performance. Arthur (2003) found a similar positive linkage for share price reaction to favorable press on work–family policies.

Stage models of organizational change and development may be helpful for organizing future research. Benschop (2001) supports further study of organizations that fall along the spectrum of minimal diversity strategies to all-inclusive HRM diversity strategies. Ely and Thomas (2001) documented three different perspectives governing how organizations respond to diversity. The *equality and fairness* perspective equates diversity with increasing the number of women and minorities on the payroll. The *legitimacy* perspective emphasizes that it is critical to mirror key customer demographics. Under the *integration and learning* approach, majority members assume they can learn from the minority members and the culture can be changed to reflect two-way adaptation and learning.

Comer and Soliman (1996: 478) attribute the lack of evaluation of diversity efforts to an unwillingness of many organizations to respond to what the research might demonstrate: for example, that efforts are ineffective or counter-productive, or that ‘a radical upending of basic assumptions, patterns, and structures’ is necessary. To augment research in this arena we will need to discover whether resource issues, a lack of interest, or fear of the results are key reasons for difficulties in measuring organizational outcomes. Perhaps companies believe that doing something is better than doing nothing at all. We need to know what kinds of incentives would be attractive to overcome the resistance. How can we put the measurement issue on the radar screen of those who have the authority to direct organizational resources toward research?

Future research should attempt to identify other factors that intervene in the effects of diversity practices on firm performance (Richard & Johnson, 2001). Models with intervening variables such as business strategy, HRM strategy and organizational environment should be tested to ascertain the effect of diversity on organizational performance.

Future research on organizational-level impacts might examine questions such as the following: Does including ‘valuing diversity’ in the mission statement elicit organizational unity and commitment? If so, does this facilitate a more favorable multicultural environment that yields stronger business results? Do organizations that value diversity because of the moral imperative do better on measures of organizational effectiveness, relative to those that value diversity because of the ‘business case’?

CONCLUSION

Today, there is a wide spectrum of organizational response to managing diversity. There are some organizations responding to legal mandates; others are focused on discrete programs and policies; still others are implementing broad HR diversity strategies to foster change in culture and work processes.

In 2002, SHRM conducted a survey jointly with *Fortune* magazine to examine how the Post 9/11 economic challenges faced by many firms had affected diversity efforts. Although there were slight shifts, the 2002 survey showed that corporate spending on diversity initiatives remained constant, with even slight increases in funding for diversity training related to race and ethnicity (www.shrm.org/diversity/TalkingtoDiversityExperts.pdf).

In general, while most US multinationals have established diversity programs, a private research report indicates they are only beginning to establish parallel efforts in their overseas affiliates and subsidiaries. Most efforts are currently cosmetic and off-the-shelf US approaches that will likely be ineffective in the European Union (Eagan & Bendick, 2001). Around the world, valuing diversity faces competition from many other pressing HR issues (Wheeler, 1995).

Future work might be improved by more careful identification of relationships between specific HRM strategies, the target level of intervention (e.g. individual, group, organizational, or external stakeholder) and whether outcomes are related to process or productivity (Kossek et al., 2003). More research is needed on the interactions of the variables that contribute to positive outcomes of diversity, including time-continuum studies (Richard et al., 2002). For example, positive business outcomes from increasing diversity may depend on whether the firm emphasizes an innovation strategy or highly values retaining top talent.

In a survey of US firms examining the adoption of work/life policies and links to financial performance, Perry-Smith and Blum (2000) found that some policies may be more effective in impact if they are clustered or implemented with other HR policies than if they are adopted piecemeal. Building on their work, we suggest that diversity researchers examine the impact of policies not only separately but also in clusters with other HR practices and strategies. For example, diversity practices might be part of a high-commitment employer strategy as Osterman (1995) found for work/life policies. We need research not only on clusters of practices, but also on different forms of diversity (e.g. nationality, gender, ethnicity) and how these intersect with other important organizational characteristics such as leadership, top management composition, culture, representation across functions and industry key success factors.

BROADEN BEYOND THE BUSINESS CASE

Although organizations might express a desire for greater racial harmony, none, at least in the private sector, claims it as an important end in and of itself

(Brief & Barsky, 2000). Most organizations still require a business justification or a government influence, such as the European Union Directives, in order for these goals to be consistently articulated. Still, there are some important caveats to the business case for diversity strategy. Kossek (2005) argues that the business case emphasizes the shareholder over all other organizational stakeholders (families, employees, society). Business organizations are likely to be held increasingly accountable to multiple societal goals, such as promoting social change (Aaronson & Reeves, 2002; Anft, 2002). Lobel (1996) has advocated this approach for evaluating impacts of work/life initiatives. Corporations will not be healthy unless the society is healthy, and a healthy society in the twenty-first century will be one in which career opportunities are truly available to all races, ethnic groups (Gummer, 2000) and, indeed, all people.

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