Leveraging the power of Diversity

Introduction

Diversity is a much discussed topic today**.** Companies   are putting in place various mechanisms and processes for creating a diverse work force. Yet many of these moves ultimately fail to make a tangible impact on the business. At best they are considered politically correct and seen to be serving the interests of traditionally disadvantaged or underrepresented groups such as women and linguistic/religious minorities. At worst they are considered steps that have to be taken to stay on the right side of the law to avoid racial/sexual discrimination suits. This article examines how diversity initiatives can be leveraged to deliver business value for organizations.

Understanding diversity

Diversity in the context of this article, refers to the variety arising out of educational, cultural, racial, ethnic, age, religious and gender differences. The essence of diversity is the acceptance, exploration and leveraging of these differences in a safe, positive and nurturing environment. That means having an open mindset, being inclusive, giving legitimacy to these differences and accepting them with a positive mindset.

Many companies look at diversity from a very narrow perspective. They focus on helping disadvantaged groups, essentially with the objective of being politically correct. That is unfortunate because diversity is a much more powerful concept that if leveraged effectively can yield tangible business benefits. Indeed, diversity initiatives will not be sustainable unless they are designed to make an impact on the business.

As Gary Rodkin, CEO, ConAgra Foods mentions in the company's Diversity Report, 2005, "….. we are building a culture of simplicity, accountability and collaboration. Diversity is vital to that culture, and we strongly support diversity and inclusion. This is not only good for our business; it is the right thing to do. Our culture is expressed in and influenced by policies, practices and programs that create a safe, supportive environment where people can develop and grow and where individuals of unique talents and backgrounds can make meaningful contributions to the success of the company."

Going beyond the surface

Diversity is often equated with things we see on the surface. These include age, race, ethnicity, language, religion, sex. Diversity must also include beliefs, values, viewpoints and ways of behaving. Diversity is not just about differences. It is also about realizing how people are similar even though they may seem to be behaving in different ways on the surface. The key is to be

aware of biases, recognize where they come from, and do not let them lead us to dysfunctional behaviour.

In today's rapidly globalizing business environment, many cross cultural problems arise out of a lack of appreciation of diversity. For example, an Indian software engineer must recognize that a Swiss client might prefer a more structured and formal approach during meetings and might get put off by too much casualness or informality. The Indian engineer should also be careful before committing to deadlines. The motto in the west is to under promise but over deliver whereas we in India are traditionally used to over promising and under delivering! A conscious awareness of this bias will help the Indian employee to develop a better client relationship. What the Indian engineer needs to understand is that by managing expectations upfront, client frustration and disgruntlement at failure to meet deadlines can be eliminated down the road. So it is better to be a little more assertive early on during the engagement. This in turn is possible only if the Indian understands "where the Swiss is coming from." If instead, the Indian equates over committing with politeness, serious problems may result subsequently.

In an independent study commissioned by Accenture on cross-cultural communication problems last year, it was found that the chief factors causing problems between onshore and offshore workers were different communication styles (76 per cent of the times), different approaches to completing talks (53 per cent), different attitudes toward conflict (44 per cent) and different decision-making styles (44 per cent). To resolve such issues, companies have to necessarily take diversity more seriously.

One company which takes diversity seriously is Citigroup, the global financial services firm. As Chuck Prince, who recently resigned as the bank's CEO mentions in the company's 2006 Diversity Report, "Our clients understand that we are committed to having a diverse workforce that is 98 percent local in the more than 100 countries in which we operate. Our employees understand that we are committed to fostering a culture where the best people want to work, where people are promoted on their merits, where we value and demand respect for others, and where opportunities to grow and excel are widely available. And our franchise represents a commitment to transferring knowledge and people around the world so we can better serve our millions of clients and support the thousands of communities where our employees live and work. Our commitment is our promise. Diversity is one of our most potent competitive advantages and, by any measure, a diverse workforce understands clients better and is more creative and innovative on their behalf. In turn, this translates into greater market share and greater returns for our shareholders."

One key result area for Citi, in the field of diversity, is flexible work arrangements. The bank's global Flexible Work Strategies (FWS) completed its first full year of activity in 2006. Some 5400 employees from 43 countries submitted requests for consideration of flexible work schedules. A cross business global Human Resources advisory group has been streamlining and upgrading processes in a bid to improve user satisfaction. The FWS website available in 15 languages, has continued to post program guidelines, application tools, and success stories that share the impact of flexible work schedules on talent retention. Increased productivity, reduced real estate costs, continuity of business support, and the ability to attract and retain talent are among the business benefits Citi hopes to realize from this program.

Women remain a disadvantaged group in many developing countries. They often feel uncertain about the impact of being a committed wife and mother on their careers. Women tend to miss out a bit more in terms of acquiring new skills and gaining more seniority. Citi recently launched the Women's Diversity Initiative in Nigeria, and is rolling out women's councils across countries in Africa. The bank hopes this initiative will help women navigate more effectively their careers throughout the different stages of their lives, as well as raise their consciousness, share information and gain inspiration from role models.

Another global financial services company which takes diversity seriously is the Switzerland headquartered UBS. As Mona Lau, the global head of Diversity mentions, "By Diversity we mean the recognition and appreciation of multiple backgrounds, cultures and perspectives within our organization. We have to build on these differences to produce cross-cultural teams that generate new ideas and creative solutions for our increasingly diverse clients. … Ultimately, we expect our employees and managers alike to respect differences and recognize that valuable contributions are made in different forms. We integrate Diversity into our daily business interactions with colleagues and clients. This enables us to succeed in a diverse, global marketplace."

One area where UBS seems to have been particularly successful is in managing the careers of women. UBS has been named one of the Top 10 companies in Working Mother magazine's 2007 list of 100 Best Companies. This is not surprising as UBS has launched several initiatives focused on developing and nurturing talented women. For example, the UBS Career Comeback fellowship program piloted in March 2007, is aimed at professional women with a minimum of five years experience (preferably in financial services) and a university degree who, after a long (18-month to 7-year) career break, would like help in reentering the workforce. This selective program, offered free of charge to participants recognizes that such women must cope with a changed business environment. In conjunction with academic partners around the world, UBS provides business updates from professors in finance, marketing and strategy. Realising that women face a

number of unique obstacles when returning to the workforce, including a diminished personal network, UBS provides coaching and mentoring assistance.

Going beyond political correctness

As mentioned right at the beginning of this article, diversity should not be confused with political correctness. Take some typical situations. A white manager fears being perceived as racist if she gives critical feedback to her black subordinate. A black engineer passed over for promotion is reluctant to raise this concern for fear of being seen as "playing the race card." A woman associate who wants to reach the board in an MNC resists seeking coaching on her leadership style; afraid that this would only confirm the notion that women don't have what it takes to get to the top. A manager in an Indian public sector company takes care to ensure that the people belonging to scheduled castes in the department are never taken to task for poor performance.

In politically correct cultures, people worry about how others view them, rather than think of what is good for the organization. They feel inhibited and are afraid to address even mundane issues directly. People impulsively draw private conclusions and keep things to themselves. Resentments build, relationships fray, and performance suffers. The atmosphere becomes such that people skirt around the issues and one another. The result is misunderstanding, conflict, and mistrust, undermining both managerial and team effectiveness.

The Business case for diversity

The shift in labor market demographics seems to be the main reason businesses are supporting diversity. In many countries, companies are increasingly looking at talent pools they have not considered so seriously before. In India, women are entering the job market in a big way. In the coming years, people from the rural areas will also enter the job market in a big way. This trend has already started and will pick up momentum in the next five years. Many Indian software companies are also adding a large number of foreigners to their workforce. At a Nasscom HR summit in the middle of 2006, Infosys announced an intake of 300 graduates from universities in the US in 2006 and about 25 from universities in the UK in 2007 as part of its commitment to create a diversified workforce. TCS announced plans to hire about 4,000 people from across the world. So far foreign recruits have been mainly used by Indian IT companies in overseas locations to manage relations with foreign clients. But as India becomes an increasingly important and prestigious location for foreigners to work and add to their experience (and to their C.V.), a new dimension will emerge. Diversity will become even more important in helping these people to contribute to full potential.

Another area where diversity has the potential to create real business value is innovation, which has become extremely important today in view of the rapid changes in the business environment

and diminishing cycle times. One of the best ways to encourage innovation is to have diverse teams where different perspectives are brought to the table. Age is a big factor here. The young can think out of the box but the old with their experience are better at knowing what works and what does not.

As creativity expert, Mihaly Csikszentmihalyi mentions[1], the young, have *fluid intelligence*, or the ability to respond rapidly. They have quick reaction times and can compute fast and accurately. This type of intelligence is largely innate and its various components peak early – teens, twenty's or thirty's. With age, these skills weaken, and after 70, the decline is usually quite severe.

The older people have *crystallized intelligence* which helps in making sensible judgments, recognizing similarities across different categories, using induction and logical reasoning. These abilities depend more on reflection than quick reaction. They usually increase with time, at least until the age of sixty. By having teams with a judicious blend of old and young people, creativity can be enhanced significantly.

Diversity can also play a crucial role in improving the quality of decision making. As James Surowiecki mentions in his much acclaimed book, "The wisdom of crowds," diversity not only adds new perspectives but also weakens some of the destructive characteristics of group decision making. Homogeneous groups may be harmonious and good at doing what they normally do, but they are quite ineffective at investigating alternatives, which is important while dealing with unstructured problems that have not been previously encountered. Diversity expands the range of alternatives and allows the group to conceptualize problems in novel ways. Diversity also makes it easier for a group to make decisions based on facts, rather than on influence, authority or group allegiance. Homogeneous groups become more easily insulated from outside opinions. They try to rationalize away possible counter arguments to the group's position and refrain from dissent. When there is pressure to conform, people change their opinion, even when they are convinced because it is easier to change their opinion than challenge the group.

Towards a new paradigm
Just as truly global companies know how to strike the right balance between global standardization and local customization, similarly companies serious about diversity must learn to blend two polar approaches – viewing everyone as same and accepting and celebrating differences. David Thomas and Robin Ely,[2] point out that traditionally, companies have looked at diversity from the point of view of discrimination and fairness. Here the emphasis is on *equal*

---

[1] In his book, "CREATIVITY-Flow and the psychology of discovery and invention."
[2] "Making differences matter – A new paradigm for managing diversity," Harvard Business Review, September-October 1996.

opportunity and fair treatment. Everyone is the same and differences do not count. The focus is on assimilation, i.e., to achieve a demographically representative workforce whose members treat one another exactly the same. The progress under this paradigm is typically measured by how well the company achieves its recruitment and retention goals with respect to targeted segments on the basis of sex, age, race etc. The philosophy here is rooted in affirmative action.

Other companies *accept and celebrate differences*. They realize they are operating in an increasingly multicultural environment. A demographically more diverse workforce will help serve different customer segments more effectively. Employees with multilingual skills can understand and serve customers better and gain legitimacy with them. This paradigm emphasizes the role of cultural differences, but in a somewhat naive way without really analyzing how they affect the work being done. It slots staff with niche capabilities into differentiated roles without fully understanding what these capabilities are and how they can be leveraged most effectively. In short, the approach is superficial and lacks depth. It is similar to a global company appointing natives as country managers across locations without fully considering whether that is the most appropriate way of staffing.

Companies most advanced in implementing diversity initiatives, embrace the *learning and effectiveness paradigm*. They incorporate aspects of both the paradigms discussed earlier but go beyond them by establishing deeper linkages between diversity and approaches to work. They realize that increasing diversity alone does not increase organizational effectiveness. What is more important is how the company leverages the experiences of the diverse. Companies must incorporate employees' perspectives into the main work of the organization and to enhance work by rethinking primary tasks and redefining markets, products, strategies, missions, business practices and even cultures.

Thomas and Ely[3] mention eight preconditions for such an approach to be introduced in an organization:
- A sincere appreciation of different opinions and perspectives
- A good understanding of the learning opportunities and challenges associated with the expression of different perspectives
- A culture that demands high performance.
- A culture that is supportive of personal development
- A culture that encourages openness
- A culture that makes workers feel valued
- A well articulated and widely understood company mission.

---

[3] "Making differences matter – A new paradigm for managing diversity," Harvard Business Review, September-October 1996.

- A structure that is egalitarian and non bureaucratic.

A shift to the learning and effectiveness paradigm requires a high level of commitment to learning more about the environment, structure and tasks of the organization. It also calls for a high degree of initiative, i.e. seizing opportunities to change and improve.

The diversity continuum

According to R Roosevelt Thomas Jr.[4] approaches to diversity lie across a continuum:

• Affirmative action

• Understanding differences

• Managing workforce diversity

• Strategic diversity management

Affirmative action focuses on inclusion. The goal is a demographically representative workforce that complies with legal, moral, or social responsibility prescriptions.

Understanding differences focuses on achieving harmony among diverse organizational participants. Here the aim is to leverage the potential richness that can flow from diversity and avoid conflicts that can hamper productivity.

Managing workforce diversity focuses on creating a workplace environment that allows all participants to contribute to their full potential. This approach requires a willingness to assess the organization's core beliefs and practices, and to change these when needed. The company must address the complete range of significant people related differences. It goes beyond racial and gender differences. It accepts that differences in learning style, tenure with the organization, or family responsibilities may have more impact than demographic differences.

Strategic diversity management is the most comprehensive approach to diversity. It addresses workplace or business diversity in ways that support individual and organizational goals. This approach recognizes that non demographic workplace or business mixtures can create challenges equal to those created by workforce demographics. Workplace or business diversity mixtures include the following:

• Business units combined through acquisitions and mergers

• Distinct functional units

• Multiple product lines

• Customers, clientele, or constituencies

---

[4] Leader to Leader, Winter 1998

Implementing diversity initiatives

Implementation of diversity initiatives poses various challenges. Companies should not rush into implementing diversity initiatives with wrongly chosen metrics. It's very easy to fool oneself into believing that by meeting some numerical goals, a diversity issue has been solved. For example, it is easy to have a diversity trainer conduct "Understanding Differences" programs and count the number of people who have been trained. These actions can make it appear for a while that diversity has been addressed.

Soon, however, it will become clear that the more complex issues have been completely ignored. Minorities and women may come on board but not stay, or may stay but remain clustered at lower organizational levels. Goodwill generated in "Understanding Differences" workshops degenerates as the underlying issues that had created resentment earlier continue to surface and people start realizing that diversity is more hype and less reality.

The greater the clarity about where one wants to go and the process framework for making the transition, the greater the chance of progress. According to R. Roosevelt Thomas Jr,[5] while monitoring implementation, leaders must address three questions:

1. What should we measure?
2. How should we measure it?
3. When should we measure?

First, the company should be clear what the goals are. Is it to encourage innovation? Is it to tap a hitherto untapped talent pool? Is it to change the culture? Is it to improve the quality of decision making?

Then the company must know how to measure them. In general, the measurement process will vary with the dimension in question. For example, in the case of how diversity is defined, informal surveys can be used. On the other hand, with cultural change, the culture audit must be repeated periodically to note improvements or regressions.

Then comes when to measure. Here again, a tailored approach is recommended. Measurements may be taken after each educational or training workshop. Evaluations of the planning process may coincide with the planning cycle, whereas cultural change measurements may be taken every four or five years. The measurement time frame must be matched to the specifics of the dimension.

---

[5] "Diversity Management: Some measurement criteria," Employment Relations Today, Winter 1999.

Leadership holds the key to effective implementation of any diversity initiative. One barrier to a successful diversity initiative is non-supportive leadership. Top leadership must constantly send signals to people below that they will be rewarded on the basis of their ability to hire, develop, and retain people of all backgrounds. It is often the case that top management is well-intentioned but the middle management is not up to it.

Conclusion

Diversity initiatives in many companies proceed in a typical way. They often begin with affirmative action, aimed at helping disadvantaged and under represented groups who need some special attention and hand holding. These include women, handicapped people, linguistic and religious minorities. Conscious efforts are made to recruit such people and create special career paths. But too often, things do not move as expected and the expected career progression does not happen. Some of the frustrated minorities leave. Those who stay back remain confused as they have a nagging feeling at the back of their mind that the company has done them a favour. So they prefer to keep quiet. Typically after some time, the company's diversity initiatives start attracting widespread criticism. The cycle may start all over again, with the focus going back to recruitment.

To get the maximum leverage, interventions designed to bring the disadvantaged groups into the mainstream, must quickly give way to genuine attempts to respect the differences which exist among different people and help them perform to full potential. Indeed, instead of viewing diversity as "anything goes" and resigning oneself to a lowering of performance standards, companies must attempt to create real business value by using diversity.

Roosevelt Thomas Jr., [6] suggests ten guidelines to get the maximum out of a diversity program:

a) Clarify the motivation: There must be a strong business case for diversity initiatives.
b) Clarify the vision: The aim of diversity programs should be to tap the full potential of every person in the workforce.
c) Expand the focus: Diversity should go beyond race, gender, creed and ethnicity, to include background, education, function and personality differences.
d) Audit the corporate culture: Culture building is a key part of any diversity initiative.
e) Modify the assumptions: Every time changes are made, the culture may resist them.
f) Modify systems: The systems should not just be optimal but should work for all employees.
g) Modify models: Mental models should not stand in the way.
h) Tell people they are pioneers: Implementing diversity initiatives involves change management. People should be judged as pioneers, not as seasoned practitioners.

---

[6] "From affirmative action to affirming diversity," Harvard Business Review, March-April 1990.

i) Ask some key questions: Does this program, policy or principle give special consideration to one group? Will it only produce benefits for a disadvantaged group? If the answer is yes, many more challenges remain to be addressed.

j) Continue affirmative action: The ultimate goal is to manage the company without any unnatural advantage or disadvantage for any member of the workplace. But affirmative action may be needed initially to have a truly diverse workforce.

In India we still have a long way to go in the area of diversity. Even in a relatively basic issue such as representation of women in management, India lags behind the US by a huge margin. Women are still struggling to get into the boardroom and are currently holding less than 3 percent of managerial positions in India. According to the results of a recent study conducted by Prime Database, 6,560 individuals occupy a total of 11,391 directorship positions in 1,069 listed companies in India. Only 311 of these individuals are women. Gender representation in the US, by contrast, is far more equitable. Nearly 42% of management positions are occupied by women. Moreover, 88 percent of Standard & Poor's 500 companies have at least one female board member, while 49 per cent have two or more women directors. According to Egon Zehnder, the global HR consultants, addressing gender issues within the organisational set up, establishing discussion platforms, mentoring young women, sabbaticals with an option to re-enter the workforce, commitment to equal opportunity are all needed to promote greater gender equality in the workplace. Many large corporations in India have not yet taken simple measures like providing child-care, flexible work hours etc to support women managers who are serious about their career. Clearly, Indian companies will have to do much more to demonstrate that they are serious about diversity.

References:

- R. Roosevelt Thomas, Jr. "From affirmative action to affirming diversity," Harvard Business Review, March-April 1990.
- David A Thomas, Robin J Ely, "Making differences matter – A new paradigm for managing diversity," Harvard Business Review, September-October 1996.
- Mihaly Csikszentmihalyi, "CREATIVITY - Flow and the psychology of discovery and invention," Harper Perennial, 1996.
- R Roosevelt Thomas Jr., "Making Diversity pay off," Leader to Leader, Winter 1998
- R Roosevelt Thomas Jr., "Diversity Management: Some measurement criteria," Employment Relations Today, Winter 1999.
- David A Thomas, "Diversity as Strategy," Harvard Business Review, September 2004.
- James Surowiecki, "The Wisdom of Crowds - Why the many are smarter than the few," Abacus – 2004
- R Roosevelt Thomas Jr., "Diversity Management: An essential craft for leaders," Leader to Leader, Summer 2006