

**A Report by**  
**The Centre for Developing Women Business Leaders**  
**And The Centre Business for Performance**

**Diversity Management: Practices, Strategy**  
**and Measurement**

**Dr Val Singh**  
**Professor Susan Vinnicombe**  
*Centre for Developing Women*  
*Business Leaders*

**Dr Gianni Schiuma**  
**Dr Mike Kennerley**  
**Professor Andy Neely**  
*Centre for Business Performance*



**Centre for Developing**  
**Women Business Leaders**



# *Report on Diversity Management: Practices, Strategy and Measurement*

---

1.	Introduction	1
<b>2.</b>	<b>UNDERSTANDING DIVERSITY</b>	<b>4</b>
2.1	GROUPS OF “DIFFERENCE” IN ORGANISATIONS	10
<b>3</b>	<b>DRIVING FORCES OF DIVERSITY INITIATIVES IN TODAY’S BUSINESS</b>	<b>14</b>
	<b>CONTEXT</b>	
3.1	EXTERNAL DRIVING FORCES	15
3.1.1	LABOUR MARKET DEMOGRAPHICS	15
3.1.2	GLOBALISATION OF BUSINESS	17
3.1.3	SOCIAL, POLITICAL AND LEGAL FORCES	17
3.2	INTERNAL DRIVING FORCES	18
3.2.1	ORGANISATIONAL DETERMINANTS	18
3.2.2	COMPETITIVE ADVANTAGE	19
3.2.3	EMPLOYEE ACTIONS AND INTERNAL POLICY	19
3.2.4	PERSONAL COMMITMENT OF LEADERS	20
3.3	OTHER DRIVERS FOR DIVERSITY INITIATIVES	20
<b>4</b>	<b>DIVERSITY INITIATIVES IN COMPANIES AND ORGANISATIONS</b>	<b>21</b>
4.1	GENERATING DIVERSITY	22
4.2	MAPPING DIVERSITY	23
4.3	EMBEDDING DIVERSITY	23
4.4	EXPLOITING DIVERSITY	23
4.5	MEASURING DIVERSITY	23
4.6	TYPES OF DIVERSITY INITIATIVES	24
4.7	LINK BETWEEN DIVERSITY INITIATIVES AND VALUE GENERATION PROCESS	25
4.8	DIFFERENT LEVEL BENEFITS OF DIVERSITY INITIATIVES	26
<b>5</b>	<b>MANAGING DIVERSITY INITIATIVES</b>	<b>29</b>

---

## *Report on Diversity Management: Practices, Strategy and Measurement*

---

<b>5.1</b>	<b>CRITERIA FOR MANAGING DIVERSITY SUCCESSFULLY</b>	<b>29</b>
<b>5.2</b>	<b>LOCATION OF THE ORGANISATION UNIT IN CHARGE OF MANAGING DIVERSITY</b>	<b>32</b>
<b><u>6 LINKING CORPORATE STRATEGY TO DIVERSITY INITIATIVES</u></b>		<b><u>37</u></b>
<b>6.1</b>	<b>IMPROVE EMPLOYEES' COMMITMENT AND MOTIVATION</b>	<b>39</b>
<b>6.2</b>	<b>HIGHER CUSTOMER RESPONSE</b>	<b>39</b>
<b>6.3</b>	<b>ATTRACTING AND RETAINING TALENT</b>	<b>40</b>
<b>6.4</b>	<b>INCREASE CREATIVITY</b>	<b>40</b>
<b>6.5</b>	<b>INCREASE FLEXIBILITY</b>	<b>41</b>
<b>6.6</b>	<b>IMPROVE GROUP/TEAM WORK</b>	<b>41</b>
<b>6.7</b>	<b>FACILITATE SUPPLIER RELATIONSHIPS</b>	<b>41</b>
<b>6.8</b>	<b>DRIVE THE ORGANISATION CULTURE</b>	<b>42</b>
<b>6.9</b>	<b>OTHER DRIVERS</b>	<b>42</b>
<b>6.10</b>	<b>THE SUCCESS CHAIN</b>	<b>42</b>
<b><u>7. MEASURING DIVERSITY INITIATIVES</u></b>		<b><u>44</u></b>
<b>7.1</b>	<b>THE EVALUATION OF ORGANISATIONAL DIVERSITY</b>	<b>44</b>
<b>7.2</b>	<b>MEASUREMENT OF PERFORMANCE OF DIVERSITY INITIATIVES</b>	<b>45</b>
<b>7.3</b>	<b>TOOLS FOR MEASUREMENT</b>	<b>46</b>
7.3.1	COLLECT BASELINE DATA	46
7.3.2	EXISTING ORGANISATIONAL DATA	46
7.3.3	CONDUCTING A DIVERSITY SURVEY	46
7.3.4	FOCUS GROUPS	47
<b>7.4</b>	<b>MEASURING THE IMPACT OF DIVERSITY ON BOTTOM LINE</b>	<b>47</b>
<b>7.5</b>	<b>COMMUNICATING MEASURES AND RESULTS</b>	<b>48</b>
<b><u>8. FINAL REMARKS</u></b>		<b><u>49</u></b>
<b>8.1</b>	<b>MANAGE DIVERSITY WELL FOR STRATEGIC ADVANTAGE</b>	<b>49</b>
<b>8.2</b>	<b>SUGGESTIONS FOR FURTHER RESEARCH</b>	<b>49</b>
<b><u>POSTSCRIPT</u></b>		<b><u>51</u></b>

---

*Report on Diversity Management: Practices, Strategy and Measurement*

---

<b><u>ACKNOWLEDGEMENTS</u></b>	<b><u>51</u></b>
--------------------------------	------------------

<b><u>REFERENCES</u></b>	<b><u>51</u></b>
--------------------------	------------------

<b><u>BIOGRAPHIES</u></b>	<b><u>54</u></b>
---------------------------	------------------

---



## **1. Introduction**

Diversity is not a new concept within organisations. What is new is the understanding of its relevance to corporate competitiveness. Companies and organisations have dealt with diversity in different ways over time. Typically, organisations have arrived at diversity management via equal opportunities initiatives. Analysis of those organisations which are at present experimenting with diversity initiatives indicates that before adopting diversity management approaches, they have embarked on various initiatives on gender, race and disability equality. Many organisations seeking a better working environment have implemented equal opportunity initiatives both to be compliant with legislation and to avoid an inequitable work culture, e.g. race and gender discrimination, and forms of harassment.

More recently, organisations are discovering that managing and encouraging diversity can represent an opportunity for the organisation to improve competitiveness. Thus diversity management is becoming a hot topic for those organisations seeking new strategic levers. In today's marketplace, organisations have to face a competitive context which is extremely dynamic and turbulent, where their ability to survive and prosper is related to their capability to be flexible, agile and innovative. Organisations need to be change-oriented if they want to acquire and maintain competitive advantage. For this reason, they may wish to create an organisational working environment characterised by 'variety' as a key facet. Diversity represents a strong lever to generate variety and diversity management is the best way to drive variety within an organisation in order to generate value (Thomas, 1990). The value generated includes increased profitability through such benefits as learning, creativity, flexibility, organisational and individual growth, and the ability to adjust rapidly and successfully to market changes (Cox, 1994; Cox and Blake, 1991; Thomas and Ely, 1996). However, the management of diversity is a big challenge as it requires organisations to accommodate and value variety, rather

than maintain uniformity by demanding that everyone should adapt to a strong set of norms.

Organisations who want to be flexible and agile have to continuously improve the capabilities of their workforce. It is often assumed that workplace diversity is about increasing gender, racial and disabled representation within the organisation and that it relates to recruiting and retaining more people from traditionally underrepresented worker groups. But to think about diversity simply in this way can inhibit its effectiveness. In order to realise the full rewards that diversity initiatives can offer organisations, they should think about diversity more holistically, as a managerial philosophy providing fresh and meaningful approaches to work rather than just as an approach to increase organisational demographic variation (Thomas and Ely, 1996). Thus diversity management is a way for an organisation to generate and manage a diverse workforce environment which allows it to maintain and improve its capabilities over time and to support organisation learning. Diversity can enable an organisation to incorporate employees' knowledge into work practices, allowing continuous rethinking and redefinition of the organisation's market, strategies, products/services, missions, and business practices. So through diversity management, an organisation can create a culture where individual differences are increasingly valued and respected. In particular, by using diversity management, organisations can leverage the diversity of the workforce in order to help achieve sustainable competitive advantage. From this point of view senior leaders need to view diversity as an asset, and diversity management as a strategic competitive managerial approach and a competitive business strategy.

In this research report, we explore the links between diversity management and the organisation's businesses processes, with the aim of highlighting the importance of diversity. Even though diversity management is becoming a "hot topic", many organisations still underestimate its relevance for company



competitiveness, and are still interpreting diversity through the lens of equal opportunities. Looking at diversity as an organisational resource, which can generate competitive advantage, we investigate the strategic role of diversity initiatives in the organisation's value generation process. The way in which how diversity initiatives can affect corporate performance is examined. We then focus our attention on the strategic role of diversity, exploring the value which diversity management can generate for organisations.

The study is based on two different research stages. First we undertook a desk analysis of the literature on diversity management. This allowed identification of the main insights from previous research studies concerned with diversity. In particular, our attention focused on the definition of the value drivers for diversity initiatives within organisations. Second, a sample of British private and public organisations known for their interest in diversity were studied using semi-structured interviews to find out the strategies and practices currently in use in the management of diversity initiatives in large organisations. The research report is structured around six sections, which correspond to six basic questions.

1. What is "diversity" for organisations ? What does it mean?
2. What are the driving forces for diversity within organisations?
3. What are the most important diversity initiatives undertaken by organisations?
4. How are diversity programmes managed within organisations?
5. How are diversity initiatives linked to corporate strategy?
6. How do organisations measure diversity initiatives?

Each of the above questions is addressed in detail presenting both a descriptive and a prescriptive view of the issues to provide managers with a framework to support their decision-making processes regarding diversity initiatives which they might consider implementing in their organisations.

## 2. Understanding diversity

Today organisations are starting to consider diversity as a strategic resource that can increase company competitiveness (Dass and Parker, 1997a & b). Diversity represents an asset which can generate value for an organisation. However, as with any other asset, diversity has to be managed in order to generate value. In recent years, organisations have developed different definitions of diversity, in order to make diversity an operative concept, so that it becomes clear within an organisation what diversity is and in particular what diversity management means in that context. Analysis of the management literature shows that these definitions take into account different aspects of diversity. In Table 1, we present definitions of diversity provided by some leading US organisations who have been amongst the first to embark on the implementation of diversity management initiatives.

**Table 1: Some definitions of diversity from the literature**

**Society for Human Resource Management:** "To celebrate diversity is to appreciate and value individual differences. SHRM strives to be the leader in promoting workplace diversity. Although the term is often used to refer to differences based on ethnicity, gender, age, religion, disability, national origin and sexual orientation, diversity encompasses an infinite range of individuals' unique characteristics and experiences, including communication styles, physical characteristics such as height and weight, and speed of learning and comprehension."

**Microsoft Corporation:** "At Microsoft, we believe that diversity enriches our performance and products, the communities in which we live and work, and the lives of our employees. As our workforce evolves to reflect the growing diversity of our communities and global marketplace, our efforts to understand, value and incorporate differences become increasingly important. At Microsoft, we have established a number of initiatives to promote diversity within our own organisation, and to demonstrate this commitment in communities nation wide."



**Texas Instruments:** Texas Instruments state that "effectiveness at using the talents of people of different backgrounds, experiences and perspectives is key to our competitive edge...Diversity is a core TI value; valuing diversity in our work force is at the core of the TI Values Statement...Every Tler must work to create an environment that promotes diversity...Each TI business will develop diversity strategies and measurements...."

**Computer Sciences Corporation:** "We value the diversity of our employees and the unique perspectives they bring to CSC. Diversity at CSC includes functional roles within the company, the markets and industries we serve, our length of service, geographic location, educational background, age, race, gender, ethnicity and whether we joined CSC independently or through an acquisition. By valuing differences, we demonstrate our commitment to treating everyone with fairness and respect."

Analysis of the different definitions of diversity found in the management literature highlights two main features of organisational interpretations of diversity. On the one hand, they are focused on the meaning of diversity and aim to provide some formality and a framework for a common interpretation of diversity within the organisation. On the other hand, they address the strategic role of diversity for corporate competitiveness and then aim to communicate its importance. These two features are also highlighted by our empirical study. In Table 2, some of the interpretations of diversity collected through our interviews are presented.

**Table 2: Interpretations of "diversity" provided by a sample of British companies and public sector organisations**

Diversity is considered both in terms of the work and trying to attract, retain and increase a diversity profile within the workforce. Diversity is not just for its own sake in terms of a kind of pictorial image that you have got a diverse workforce and that is where it stops. It is the organisation's ability to bring those skills, and translate those skills into people's working practices, creating the working environment, bringing flexibility into the working environment and better delivery of service.



## *Report on Diversity Management: Practices, Strategy and Measurement*

---

Diversity is about valuing difference, utilising the different talents and backgrounds that people have.
Diversity is looking at the differences in people and using them; it is valuing difference.
Diversity is about having an inclusive society and a merit-based workforce environment. Diversity is a way to embrace variety.
Diversity relates to all areas of diversity – race, gender, disability, sexual orientation, and so on. The objectives of diversity policy include provision of access to the same opportunities to all staff and to ensure that the workforce represents the same groups as the customer base.
Diversity is recognising the value in difference both visible, e.g. age, gender, race, ethnicity, and invisible, e.g. individual personality, approaches to work, management styles, leadership.
Diversity is trying to create an inclusive culture where the organisation values individual differences, respects and appreciates differences.
Diversity is about valuing and utilising the different talents and backgrounds that people have.

The empirical study confirms the main literature findings and indicates that diversity is seen as a multi-faceted concept which has a specific meaning for each organisation, related to their business. It involves many different dimensions and is mainly concerned with employees. Diversity can be visible, e.g. age, gender, race, ethnicity, or invisible, e.g. personality, education and functional background, approaches to work, management styles and leadership. The differences may or may not be job-related.

Some important forms of diversity, which affect organisations or workgroups, are concerned with education, socio-economics and work experience. Such factors deeply affect the collaboration, openness and trust of the people within the organisation. Thus diversity can refer to personality and work style, to all of

the visible dimensions of diversity, to socio-cultural features such as religion, experiences and education, and to work diversities such as functional level and classification or proximity/distance to headquarters.

In order to avoid misunderstanding, it is especially important to emphasise that “diversity” goes beyond the simple issue of race and gender and that it encompasses multiple dimensions of similarity and difference (Pelled, 1996; Thomas, 1990). Equal opportunities (EO) initiatives are based on principles of fairness and sameness, and tend to deal with visible diversity such as race, gender and disability. The aim is to assimilate differences and treat everyone in the same way, regardless of differences. In contrast, diversity management initiatives are founded on the premise that diversity issues matter a great deal for value generation, and that managing diversity is a “business imperative” (Jones et al., 1989; Litvin, 2000; Solomon, 1989). So managing diversity is about recognising and valuing difference (Liff and Wajcman, 1996). The objectives of diversity policies include provision of access to the same opportunities for all staff and ensuring that the workforce represents the same groups as the customer base.

<b>Equal opportunities</b>	<b>Managing diversity</b>
<ul style="list-style-type: none"> <li>• Workplace programmes derived from legal framework outlawing discrimination;</li> <li>• Compliance, e.g. with recruitment targets;</li> <li>• Melting pot results. Equality through sameness, based on merit;</li> <li>• Aims to increase proportion of under-represented groups in senior roles;</li> <li>• Main focus has tended to be gender;</li> <li>• ‘Liberal’ approach;</li> <li>• May include positive action to redress past discrimination.</li> </ul>	<ul style="list-style-type: none"> <li>• Depends on organisational initiatives;</li> <li>• Internally driven, proactive;</li> <li>• Business case arguments part of rationale;</li> <li>• Taking equality further through contribution of ethnic minorities, the disabled and other groups;</li> <li>• Moving beyond statistics: valuing differences, recognising organisational benefits diversity can bring;</li> <li>• Maximising employee potential;</li> <li>• About groups as well as individuals;</li> <li>• Mosaic result, equality through difference.</li> </ul>

Table 3. Main tenets of equal opportunities vs. diversity management  
(Source: Gagnon & Cornelius, 2000: 69)



Equal opportunities and managing diversity are treated by some academic studies as being in opposition to one another (e.g. Gentile, 1994; Cornelius et al., 2000). But many of the sample organisations consider themselves in transition, sometimes referring to diversity followed by 'equal opportunities' in brackets, to provide greater understanding of the concept. However, generally organisations recognise the differences between the two concepts and approaches. These differences are the main tenets of the two approaches identified by the literature which are summarised as in Table 3.

Most interviewees stressed the importance of having a definition of diversity within the organisation. This provides a common understanding of what diversity means when starting any diversity initiative. In addition, an organisational definition of diversity allows clearer communication of what diversity means, its role within the organisation, and why the organisation is interested in it.

It emerged from our study that there is no single answer to these questions. Each organisation has its own interpretation and has to decide for itself how it will define diversity. However, in order to guide managers in developing a definition of diversity, it is important to stress that the definition should be broad enough to cover all possible forms of diversity. Moreover, what seems to be crucial for any definition of diversity is that the organisation's employees and stakeholders can see themselves in the definition. If they can relate to it, they can better understand diversity and be aware of its importance to management.

It is important to stress that from a strategic point of view, the definition of diversity has two main aims:

1. To communicate that the organisation is committed to diversity as a key lever to improve its competitiveness;

2. To provide an external image of the organisation in order to manage and promote its brand.

Both these aims, which are internal and external respectively, recognise diversity as a resource to be used, and as an asset to generate value for the organisation.

It is also important to point out that the definition of diversity should not be a stand-alone concept. Diversity should be integrated into the understanding of all the organisation's activities, and in particular, with the organisation's corporate strategy.

In order to explore the sample organisations' diversity initiatives and their relevance for their performance, a working definition of diversity management, based on both the analysis of the literature and the insights of the interviews, is needed for this report. The definition provided below aims to provide managers with a conceptual framework to understand what managing diversity means and what kind of initiatives to put in place in order to develop and support diversity within the organisation.

So in general, we define diversity management as:

**“the process of continually managing differences of all kinds, visible and/or invisible, to meet existing and emerging needs, to identify and exploit existing and acquired diversity-related knowledge assets and to develop new opportunities. It is a systematic process of identifying, generating, maintaining and exploiting diversity in all areas of the organisation. Its overall purpose is to maximise the organisation's value generation process.”**



There are many forms of “diversity” within an organisation. In the following section, we report the main groups of “difference” which were identified from the literature and within the sample organisations.

### 1.1. 2.1 Groups of “difference” in organisations

It is important to point out that when we speak about diversity initiatives, first of all we are referring to initiatives concerned with *people*. This means that for any organisation, it is possible to classify groups of “difference”, i.e. to identify those individuals or groups who are different as they present some specific visible (e.g. race, ethnicity, nationality, gender, age, physical capabilities) or invisible features (e.g. values, personality, attitudes, religion, educational level, job tenure) of difference which is relevant for the organisation. These groups are the subject of diversity management initiatives. Their identification is important since it identifies the facets of diversity which characterise the organisation and need to be managed. Thus, in order to classify diverse groups, definitions of relevant forms of diversity are necessary. For example, Table 4 describes the groups of “diversity” in Microsoft.

<b>African American</b>	Employee resource group began in 1989 and is dedicated to supporting the continued growth of African American employees at Microsoft. The group is also committed to reaching out to the African American community.
<b>Attention Deficit Disorder (ADD)</b>	Group works to improve and enhance the lives of Microsoft employees and families affected by Attention Deficit/Hyperactivity Disorder through education, advocacy and support.
<b>Chinese</b>	Employee resource group was established in 1992, and now has members from China, Taiwan, Hong Kong, and North America. This employee group strives to support professional growth, promote Chinese culture through social activities, and assist Microsoft's development in Asia by participating in recruiting and Chinese computing technology discussions.



*Report on Diversity Management: Practices, Strategy and Measurement*

---

<b>Dads</b>	Group is an employee-driven initiative whose purpose is to equip and empower Microsoft fathers to more effectively balance their work with their family life. This is accomplished through identifying appropriate resources - speakers, videos, books, and/or seminars - and providing optional opportunities for MSDADs members and their guests to engage with those resources.
<b>Deaf and Hard of Hearing</b>	Group works to ensure that professional opportunities, corporate events, and corporate resources are accessible to individuals with hearing loss.
<b>Filipino</b>	Group's mission is to share Microsoft's technology with the Filipino community and to encourage more Filipinos to become involved in the software industry.
<b>Gay, Lesbian, Bisexual, and Transgender</b>	This group of employees pursues Microsoft's vision of equal opportunity for all employees without regard to sexual orientation. It seeks to enhance Microsoft's success by promoting a work environment that accepts and respects the diversity of its employees.
<b>Hispanic</b>	Employee resource group seeks to promote the Latino presence within Microsoft by active involvement with the recruitment and development of Latino employees, educational involvement at the college and high school level, social interactions, and special events.
<b>Indian</b>	Employee resource group is for employees from or interested in India. This group focuses on fostering activities through which members can share diverse cultural traditions and values.
<b>Korean</b>	Employee resource group is dedicated to supporting the continued growth of Korean employees at Microsoft and providing support to the Korean community outside of Microsoft. The group is also committed to helping Microsoft grow as a culturally aware and socially responsible corporation.
<b>Native American</b>	The group work to impact Native American communities outside Microsoft and to increase the number of Native Americans within the organization itself. Members co-ordinate an annual volunteer mentor program for local area Native American youth that reaches about ten students each year.
<b>Working Single Parents</b>	This employee resource group helps bring them together for support, advice, and encouragement. These employees seek to address work-place issues that impact parents and children, and to increase awareness of the difficulty single-parent families face, and the value they impart.

<b>Taiwanese</b>	The group supports Taiwanese employees at Microsoft and welcomes members interested in Taiwan. It promotes community networking through life and technical information exchange.
<b>Women</b>	This employee group works to promote solutions for the issues that affect women in business. Activities include a support forum, programs that encourage women's technical and career development, educational activities, and scholarship opportunities for young women in the community.
<b>Working Parents</b>	This group seeks to increase awareness for the issues that impact working parents, and to present workable solutions to employees of Microsoft.

Any organisation which is committed to diversity management, in accordance with its own business, should be interested in identifying groups of "difference", i.e. in highlighting its organisational diversity facets. Different organisations operating in different business contexts and different industries might be interested in managing different diversity groups. Thus, for example, an organisation might reflect diversity initiatives in terms of race and ethnicity, or it might address diversity in terms of religion, gender, sexuality, or age. Moreover, some organisations might be mainly focused on invisible diversity, such as working patterns - job sharing, part-time, flexible working arrangements, and home working.

The analysis of our sample of companies has identified some main areas of difference. These are: gender, ethnic minorities, disability, work/life arrangements and sexuality. It is interesting that all the organisations, though recognising the importance of invisible differences, have mainly paid attention to visible diversity. This is understandable since these are the first areas of diversity that need to be addressed, and because they are the diversity aspects addressed by equal opportunities legislation. However, an important invisible difference which emerged during the study and was addressed by almost all the organisations is that of "work/life". This is considered very important since people within organisations appear increasingly interested in flexible patterns of work. As a result, many organisations are adopting job sharing, part-time,



flexible working arrangements, home workers, and workers on condensed hours.

Almost all of the organisations studied adopted a bottom-up approach to the generation of support groups of people who are different, for example, a women's network, or an ethnic minority group. These working groups are generated as needed by employees rather than by organisational departments. Some interviewees highlighted the issue that even if the support group plays a relevant role in supporting diversity within the organisation, it is important to pay attention to their management since they can perpetuate stereotypes and generate segmentation of diverse groups within the company.

We have provided an interpretation of diversity and an analysis of how diversity is expressed within organisations. Now we move on to consider the reasons why organisations in today's business environment may adopt diversity management as a strategic management approach.

### **3 Driving forces of diversity initiatives in today's business context**

Today's economy and the business world are characterised by growing complexity due to increasing turbulence and dynamism. This requires companies to achieve higher degrees of competitiveness to survive and prosper. In today's business context, organisations are under different competitive pressures as demonstrated by phenomena such as globalisation, internationalisation, evolution of new technology, changing client demands, and changing economic, political and social cultural structures. In this new context, commonly labelled the 'New Economy', diversity can represent a fundamental strategic lever to improve business performance and to support the process of continuous innovation.

Diversity is a hot topic for both public and private organisations. For public sector organisations, diversity initiatives can be considered a business imperative, since such organisations are much more committed to implement equality and diversity programmes. They have to serve a diverse society - a society made up of men and women; of people of different culture, religions, races, nationalities, of different ages, with or without disabilities, with different sexual orientations and many other differences, as well as varying combinations of differences. Thus, public organisations, recognising the differences within the society that they serve, strive to address the interests of people from all sections of society. Moreover, they strive to reflect the diversity of society that they serve.

For companies, diversity is a resource that can be adopted and exploited as a strategic asset to gain competitive advantage. Diversity can contribute in different ways to increase the value generation process for the company. However, for public and private sector organisations, the business objectives for

implementing diversity initiatives are different – for the former to provide fair services to everyone without any form of discrimination, and for the latter to make profit by selling their products. Diversity is a key lever to increase organisational capabilities by providing employees with new skills that generate a more flexible and innovative working environment, and enable organisations to offer a better delivery of services and products.

In our study, starting from an analysis of the literature, we have identified the strategic factors that are said to be driving organisations to implement diversity initiatives. The following main driving forces are highlighted: labour market demographics; globalisation of business; social, political and/or legal forces; organisation determinants; competitive advantage; internal pressure, and top management commitment. These can be grouped into two main categories: external and internal driving forces respectively.

In order to understand how organisations perceive the strategic drivers for the implementation of the kinds of diversity management initiatives detailed above, we asked the interviewees to weight using a Likert scale (from 1 = not important to 5 = extremely important) the importance to their organisation of the different driving forces. The results are summarised in Figure 1. Thus from the analysis of our empirical research, we gain some insights regarding the perceived level of importance of the different value drivers across our sample organisations. In each section, we present first the comments from the literature, and then the views of our respondents.

## **1.2. 3.1 External Driving Forces**

### **3.1.1 Labour market demographics**

The demographics of the labour market include a number of variables and contexts. One phenomenon is the aging workforce. As the working population ages, older people are demanding more flexibility, but many wish to continue in



work. Moreover in some industrial areas, the aging of the workforce is accompanied by low rates of unemployment which makes the labour market very competitive. In this context, organisations might adopt diversity initiatives to respond both to the internal expectations of present employees and the changes in the labour supply in the marketplace. In particular, in the most developed industrial areas, the labour force is characterised by an increase in the percentage of minorities (Friedman and DiTomaso, 1996). Moreover, diversity represents a lever that can be used to increase the attractiveness of an organisation as an employer, particularly important when there is a need to attract a high quality talented workforce.



Figure 1. Drivers of Diversity - Mean responses of interviewees.

In our sample, labour market demographics were considered the most important driving force for the implementation of diversity management initiatives. The shrinking labour supply was expected to be significantly more important in the future. All the organisations interviewed pointed to this as the most important strategic reason to focus attention on diversity. Its importance was particularly related to the need for organisations to be seen as attractive employers over a wide range of factors. Hence diversity management

represents an indicator of an organisation's cultural context in which key features are the competence of diverse individuals and their ability to provide value to the organisation.

### **3.1.2 Globalisation of business**

Many organisations recruit diverse individuals to help an understanding of particular market segments, thereby improving opportunities to service their specific requirements (McCarroll, 1993; Richard, 1997; Thomas and Ely, 1996). The basic idea is that people who represent forms of diversity can help organisations achieve a match between internal resources and external demands (Dass and Parker, 1997a & b).

Many companies recognise the globalisation of business as a driving force for the implementation of diversity management initiatives even if it is not currently considered to be the major driver. However, interviewees pointed out that particularly when the company's business is international, the people within the company need to share a model of practice and they must be able to work across cultures, addressing the potential barriers that might exist. So the globalisation of business is considered a driving force that could potentially increase in significance as organisations trade more globally and individuals are more engaged with colleagues across Europe and the wider world. Even in the public sector, globalisation was an important driver for some organisations, particularly the Department of Health, as closer links were forged internationally, for recruitment of scarce medical staff, for patient care and research collaboration.

### **3.1.3 Social, political and legal forces**

Organisations are also motivated to address diversity-related issues in response to external pressures from social, political and legal forces (Dass and Parker, 1997a & b). For both public and private sector organisations, it is always very important to be compliant with the law. Diversity management represents a way to ensure that compliance is made to new legislation requirements.



The interviewees suggested that social, political and legal issues have traditionally been the driving force behind equal opportunities activities within organisations. This continues to be an important driving force, since organisations need to comply with legal requirements and be respectful of ethical and social values. However, this is no longer the most important reason for implementing diversity management initiatives. Nonetheless, external social, political and legal forces continue to be seen as key drivers for diversity management because the absence of diversity initiatives can undermine the organisation's reputation as an employer equipped for the future. For public sector organisations, principles of fairness and equality of opportunity were particularly important drivers, as they needed to demonstrate social justice as employers of large numbers of female and ethnic minority workers. The public sector organisations were thus the embodiment of government policies on diversity management.

### **3.2      *Internal Driving Forces***

#### **3.2.1      *Organisational determinants***

Organisational factors affect diversity initiatives. Stable organisations seem more willing to maintain the status quo and are consequently less willing to recruit a diverse workforce (Kelly and Amburgey, 1991). Other studies have shown how smaller organisations are more willing to hire or promote women in management (Baron et al., 1991). Moreover, the industry sector can have a great influence on the recruitment level of diverse groups. For example according to Blum et al. (1994), the percentage of women in management is substantially higher in the service industry compared to manufacturing industry.

From our interviews, we found not surprisingly that organisational determinants as a driving force varied in nature. For example, some organisations stressed that diversity management becomes very important when a change is being

made to move from a hierarchical to a more facilitative structure, when the organisation is trying to work more with its operational arms in a supportive rather than a directive way. In this context, diversity represents a way of supporting cultural change.

### **3.2.2 Competitive advantage**

The dynamism of the current competitive context necessitates a workforce capable of adapting to rapid and continual change (Dass and Parker, 1997a & b). By embracing employees from difference backgrounds, diversity can contribute to increase organisational creativity, problem-solving ability, and flexibility.

Diversity initiatives can be adopted as a way of better reflecting the society in which the organisation operates. This issue was particularly highlighted by public organisations in our sample. Diversity can also be adopted as a strategic lever for developing marketing policies. This is particular important for organisations trying to manage their brand image, i.e. managing how their policies are perceived by the market from an ethical point of view.

### **3.2.3 Employee actions and internal policy**

Organisational diversity initiatives can be an answer to internal pressure in the form of employee complaints and collective action towards a more diverse workforce, with career development and a fair system of rewards (Gresov and Stephen, 1993).

In our sample, internal pressure was not considered to be very important as a driver for implementation of diversity initiatives, although we had expected to find pressure from women or ethnic minority groups. However, most of the organisations studied did have support groups representing different categories of diversity within the organisation, and their actions sometimes stimulated the implementation of diversity initiatives. The trade unions sometimes played a role in driving change through diversity initiatives.



### **3.2.4 Personal commitment of leaders**

The personal commitment of individual leaders who focus attention on diversity initiatives appears to be particularly important (Thomas and Ely, 1996). Individual leaders can assume the position of a "champion", promoting and supporting diversity in all its forms.

Our sample considered that top management commitment was very important as a driver for the implementation of diversity initiatives. In addition, the success of diversity management implementation was thought to be closely linked to the presence of senior diversity champions within the organisation. When new directors with an interest in diversity management were appointed, change happened faster, but often the momentum was lost when the diversity champion moved on.

### **1.3.3.3 Other drivers for diversity initiatives**

The interviews identified other driving forces not explicitly identified within the literature review. Some are considered quite important in prompting organisations to adopt diversity management, in particular; customer and shareholder pressure; and social, moral and ethical values.

Investing organisations such as large pension funds are increasingly being asked by analysts what their policies are in terms of investments, e.g. how are social strategies and stances on diversity represented in the investment portfolio. This indicates that diversity is becoming increasingly important in terms of value generation from investors. In other words, diversity may be a way to show to customers and potential investors some of the social and moral fibre of the organisation. This may then attract more investment, and more job applications from those concerned that their investments or their employment are tied to companies with the highest social, moral and ethical standards in the way they deal with diversity.



#### **4 Diversity initiatives in companies and organisations**

The interviews highlight that diversity management is progressed by the instigation of various diversity initiatives. These initiatives are considered to be operational applications of the diversity management process. Their aim is to leverage diversity in order to attract, maintain and develop the organisation's diversity assets. By diversity asset we mean any form of workforce diversity which the organisation considers as strategic and which can contribute to company competitiveness.

Through the adoption of diversity initiatives, organisations are developing diversity management. However it is important to stress that diversity management is far more than the simple implementation of diversity initiatives. In the management literature, diversity management is referred to as **the commitment by organisations to recruit, retain, reward, and promote a heterogeneous mix of employees** (Ivancevich and Gilbert, 2000; Thomas, 1990). Adopting a broad definition of diversity management, we mean a managerial philosophy which aims to value workforce diversity in all its forms in order to generate benefits for the organisation's various stakeholders and therefore to improve corporate competitiveness by enhancement of organisational performance.

From an operational point of view, diversity management, as shown by the empirical research, is carried out by a set of specific diversity projects and initiatives. These initiatives can have different performance goals and involve different business process areas.

In order to provide readers with a conceptual understanding of the kinds of diversity management practices that an organisation might implement, a Diversity Management Process Cycle is introduced below. It identifies the diversity management processes needed to manage diversity. Figure 2 depicts

the main processes underpinning a diversity management strategy. It is important to stress that the diversity management processes are closely interwoven and often overlap. They should be interpreted as a continuous never-ending cycle and implemented within the organisation as ongoing, measurable, manageable and integrated processes.

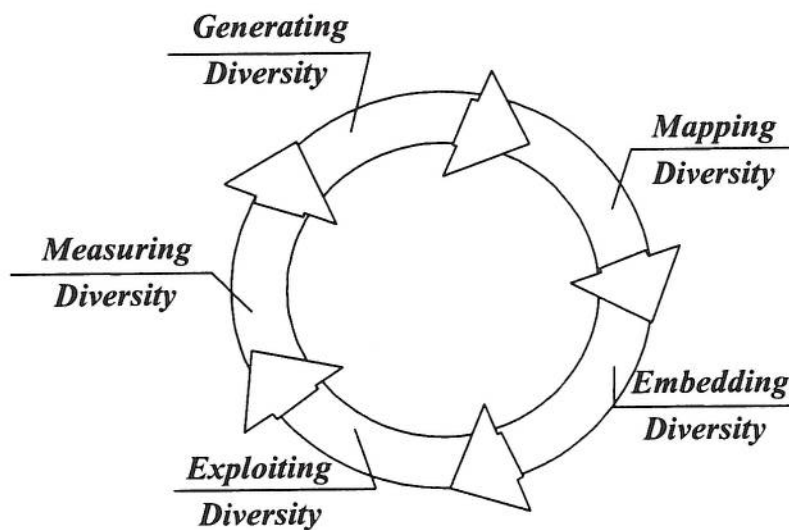


Figure 2. The Diversity Management Process Cycle.

In the following section the main characteristics of the cycle processes are introduced.

#### **4.1 Generating diversity**

This includes all processes executed in order to increase the stock of corporate diversity assets. The generation of diversity involves two main sub-processes. The first equates to diversity acquisition, which is the process of capturing and bringing diversity from the external environment into the internal context of the organisation. The acquisition of diversity can be managed simply by recruiting people who enable increased demographic variation. The second involves maintaining diversity, i.e. a valorisation of the existing organisational diversity facets, and diversity creation. This includes development of new diversity facets



such as working style, leadership and other forms of invisible difference and should provide opportunities to ensure diversity at every organisational level.

#### **4.2 Mapping diversity**

This is the process of identifying and locating diversity assets within the organisation. The mapping process can be performed within the organisation, to identify diverse groups who play or may play a key role in the organisational value generation process. It might also be used to identify possible external diversity resources, such as a talent pool for the recruitment of expert people from minority backgrounds.

#### **4.3 Embedding diversity**

Integrating different forms of diversity is a process which aims to gain competitive advantage, for example by generating innovations within the organisation. The embedding process can involve diversity assets which are internal to the organisation. It can also address the capture of relevant diversity assets from the external environment, to be integrated into the internal organisational diversity assets.

#### **4.4 Exploiting diversity**

This is the process of using diversity assets to generate value for the organisation. Like any other resource, diversity is an asset which can generate value for organisational competitive advantage but only if it is exploited.

#### **4.5 Measuring diversity**

Measuring diversity is the process of assessing the value both of organisation diversity and of organisational diversity initiatives'. It is a process of fundamental importance since, as well expressed in a managerial homily, "you cannot manage what you cannot measure". For successful implementation of any

diversity management initiative, it is essential to put in place an effective measurement system.

#### **4.6 Types of diversity initiatives**

The diversity management processes represent the foundations of diversity initiatives and can be implemented within an organisation by developing dedicated diversity programs. The role played by these programmes is mainly context specific. As stressed by the empirical research, different organizations may have different reasons for developing diversity initiatives, and different business contexts can require diverse approaches. Thus any organisation has to decide for itself why, what and how to perform its diversity management processes.

Within an organisation, diversity management processes can be applied to any business process area as cross-sectional processes and can involve different contents, such as recruitment and retention, but also management commitment, rewards and compensation, employee satisfaction, and workforce skills.

Some of the diversity initiatives that were mentioned in the empirical research are:

- work life balance policies
- flexible working policies
- top management support
- diversity management training and continuous diversity education
- equal opportunities policies
- career management programmes
- cultural change programmes
- staff working groups
- promotion strategy
- compensation programmes



- mentoring programmes
- job design
- staffing plans
- network groups
- supplier diversity policies.

#### **4.7 Link between diversity initiatives and the value generation process**

In the research literature, a number of business factors are identified as reasons for implementing diversity initiatives. These include workforce utilisation, diverse customer base, globalisation of markets, improved productivity, continuous quality improvement, recruitment and retention of skilled workers, increased creativity and innovation, synergistic teamwork, and avoidance of lawsuits (Litvin, 2000; Yarrow, 1996). These represent possible ways in which diversity initiatives can impact on the corporate bottom line. As such, managing diversity can be considered a bottom-line issue, and thus a business imperative (Litvin, 2000). However, as yet there is little empirical evidence to prove a direct link between implementation of diversity initiatives and company profitability.

Even though the representatives from the sample organisations seemed to believe that diversity initiatives would have a positive impact on the bottom line, there was no direct proof of this link. Nevertheless, all the managers interviewed were keen to implement diversity initiatives. They believed that diversity management could contribute to increased business process effectiveness, enabling the value generation process. The value-added would be as a result of the link between diversity initiatives and the business processes, in particular the HR processes, according to most of those interviewed.

In other words, people are considered to be the key factor linking diversity initiatives to corporate business performance. Indeed, it is always possible to

identify people who on an individual or a group basis underpin any one of the organisation's business processes and are responsible for executing them. Thus diversity management is a way of generating and maintaining the skills of a diverse workforce within the organisation, and translating those skills into working practices and into a working environment which bring flexibility, innovative capabilities and allow better delivery of services.

#### **4.8 Different level benefits of diversity initiatives**

Diversity management processes carried out through diversity initiatives enable the organisation to attract, retain, maintain and increase a diversity profile within the workforce which in turn produces benefits at three main levels: personal, organisational and environmental.

At a personal level, diversity initiatives can contribute to increased individual loyalty and commitment to the organisation, as well as the ability to interact, adjust, create a group identity, and reduce conflicts and communication problems.

At an organisational level, diversity initiatives can generate benefits in terms of performance, creativity, reduction in absenteeism and turnover, and increased job satisfaction by paying attention to compensation, promotion, supervision, co-working, and security.

Finally, at the environmental level, diversity initiatives can improve the brand image, customer loyalty, the corporate social and ethical contribution, supplier relationships, and community integration.

Figure 3 illustrates a conceptual framework linking diversity management to the value generation process of an organisation. The basic idea is that the continuous implementation of diversity management practices within an organisation in accordance with the Diversity Management Process Cycle



facilitates an increase of the organisation's diversity assets. These in turn generate value at individual, organisational and environmental levels affecting the effectiveness of the workforce. Since all business processes are mainly based on people's capabilities, an improvement in the effectiveness of the workforce contributes to the generation of value for the company.

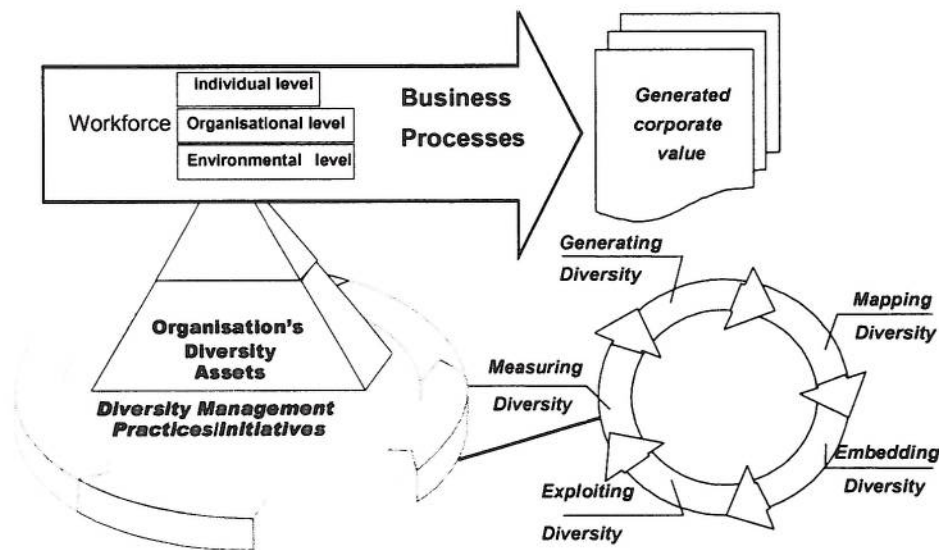


Figure 3. A conceptual framework linking diversity management to the value generation process of a company.

In Figure 4, the main business areas affected by diversity initiatives are identified. Diversity initiatives enable development of a better understanding of the market as they provide the competencies to develop a clearer view of the needs and expectations of the customer. A better understanding of customers' needs allows the organisation to develop better strategy, or for public sector organisations, to design better policies. This is of particular importance for public organisations, as diversity management allows a clearer view of the expectations and needs of the wider community, facilitating the definition and implementation of better policy. Moreover, bringing diverse skills and culture to the organisation creates a more efficient working environment, making the business processes more flexible and responsive to the competitive context and pressures. Finally, diversity supports the delivery of major frontline services.

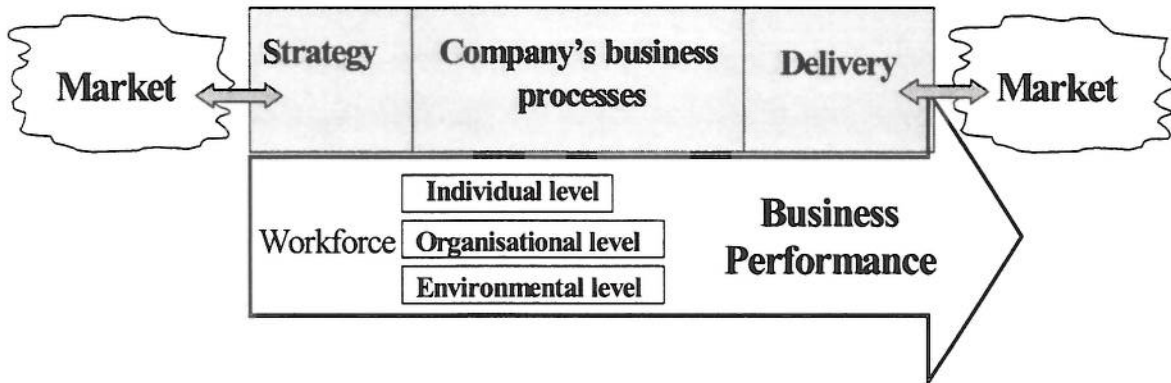


Figure 4. Business areas affected by diversity initiatives.

Diversity management, through introduction of new skills and cultural awareness, enables an organisation to be more change-oriented, enabling it to adapt to the external environment. In accordance with this view, Thomas (1990) proposes a view of the management of diversity as a process of comprehensive organisational change. This is designed to create an environment in which employees with diverse characteristics are better managed in order to get from them the highest value possible. Moreover Thomas claims that diversity management is a complex, multifaceted, and time-consuming process. In order to manage workforce diversity, an organisation has to learn, understand and value members of other groups, and know how to communicate with them, and how to lead and motivate them. In other words, organisations should develop a culture in which everyone is continuously able to accept and learn from other cultures. In the next section, we address our respondents' views on the important issue of managing diversity effectively.



## **5 Managing diversity initiatives**

Analysis of the experience of our sample of organisations engaged in implementing diversity initiatives reveals that often there is a lack of structured approaches in managing diversity to its full advantage. Generally the initiatives seem to respond to organisational needs to provide an answer to specific problems, especially human resource management issues such as staffing, rather than being inspired by a proactive strategic approach. The result is that often the diversity initiatives within the organisations appear not to be fully integrated or co-ordinated with wider corporate strategy. This may significantly reduce the effectiveness and efficiency of diversity management.

As stressed in the previous section, diversity management needs to be interpreted as a continuous cyclical process. Diversity is concerned with managing culture and people, and as such is a never-ending process. Moreover, diversity initiatives should be designed and planned in accordance with the strategic diversity management aims and aligned to specific corporate strategies.

### **5.1 *Criteria for managing diversity successfully***

In order to assist managers in managing diversity, some key criteria have been identified (Table 5). These may be used as guidelines for managers who want to implement successful initiatives. (There are of course some very useful sources of advice for diversity managers, such as Kandola and Fullerton's excellent book, *Diversity in Action: Managing the Mosaic*, 1998, and the *Diversity Excellence Model* booklet and website published by the UK Government's Centre for Management and Policy Studies, 2001-2002.)

**Table 5: Criteria for successful implementation of diversity initiatives**

**Knowing what we want to achieve.**

Any diversity initiative has to start from a clear definition of the targets that an organisation wants to achieve by its implementation. In other words, what problems can the diversity initiative help the organisation to solve, or what kind of benefits will the implementation of diversity generate.

**Get executive commitment.**

Enlisting the visible support and commitment of the organisation's CEO is fundamental to a successful diversity initiative. Top management commitment is vital if the interest in diversity is not to be lost, and to ensure that there is continued focus on it even when the business is changing. For this reason, it is important to have a top-level diversity champion within the organisation to ensure retention of the strategic drive for diversity management, even if diversity is managed lower down the management tier.

**Articulate the forms of support to diversity initiatives.**

Be explicit about how support and commitment are to be shown and from whom it is expected, so that there is a consistent and important message from the top.

**Assess the organisational climate.**

Before implementing any form of diversity initiative which will involve staff in general, it is important to assess the climate within the organisation. This will involve collecting information from employees about their perceptions of diversity issues, and their level of satisfaction as employees. Questionnaires and focus groups can help clarify the obstacles. Also, it may prove helpful to determine where your organisation is on the diversity continuum.

**Create and maintain open channels of communication with employees.**

Communication is crucial to the success of diversity plans and should occur not only at the beginning of a diversity initiative, but also throughout the process. Being thorough and timely in reporting back to senior management and to staff with any results and/or progress is very important.

In order to get major benefits from diversity, it is essential to create a very open organisational environment where staff can ask questions and raise diversity issues which they think need to be faced by their employer. For this reason, it is very important to put in place within the organisation proper communication channels to tap into the information flows actually utilised by employees. For example, some of the sample organisations rely on team briefing processes across departments and across directorates as well as staff newsletters and magazines.

**Forming a diversity taskforce.**

This group, usually composed of a vertical and horizontal cross-section of the organisation, spearheads the initiative. After training on diversity issues, philosophies and management, the taskforce members can help to analyse assessment data and make recommendations to top management.

**Design relevant training programs.**

The purpose of good training is not just to increase awareness and understanding about diversity, but also to develop concrete skills that employees can use to deal with workplace diversity, its implications and its effects for best advantage.

**Diversity should be part of any organisation initiatives and activities.**

Diversity management should not be undertaken in isolation; rather, it should be a continuous issue related to other issues such as attracting staff or widening the customer base.



**Diversity Proofing and Mainstreaming**

Diversity is mainly a cultural issue. In order to make diversity a real strategic lever, it should be embedded into normal business activities so that it becomes part of the organisation's normal way of operating. Valuing diversity should be integrated by being taken into account in everything that is done, and everything that is planned to be done in the organisation.

**Evaluate and measure each component of organisation diversity initiative.**

For successful diversity initiative implementation, it is important to evaluate the results of the initiatives, and measure progress.

An important issue surrounding the management of diversity initiatives relates to the location of diversity management responsibility within the organisation. This issue is addressed in the following section.

**5.2 *Location of the organisation unit in charge of managing diversity***

We had much discussion with the diversity managers regarding the positioning of diversity initiatives within organisations and the extent to which they should be staffed. The structure, objectives and strategic position of diversity initiatives depend significantly on the organisation's goals, needs, size and resources. Many larger companies invest significantly in a specialist diversity team, while smaller organisations tend to have just one diversity specialist based within the general Human Resources (HR) department. It is interesting to see that most of the people interviewed (who were responsible for diversity in their organisations) came to that role via a HR route. An important reasons for this is that diversity is seen to be concerned with getting the most out of people, helping people to achieve their potential.

Hence, we found that, since diversity management is mainly concerned with the management of a diverse workforce, the organisation unit responsible for diversity programmes is generally the HR department, although in some cases, it was located in a Training department. However, diversity seen from a strategic perspective involves all the organisation's processes, as these almost always have a people element. Thus, all organisation units should be interested in managing diversity. We feel that, even though diversity management is clearly related to HR, the management of diversity initiatives should not be confined to HR, or the benefits reached will be mainly focused on employee relations. Management of diversity should include consideration of other organisational functional areas such as communications, brands, marketing, customer relationships, operations, and so on. Clearly this must also include close co-operation with the HR function, but the diversity manager needs to have access to other departments to raise awareness that diversity management can add value in their areas too. Consideration could be given to locating the responsibility for managing diversity as a strategic resource within the business planning unit rather than HR, to make it easier to capture the competitive advantages.

The empirical study shows that in all of the organisations studied, diversity initiatives at least begin within the HR department, because of the links with equal opportunities management. Only when organisations feel that diversity is an area to which more attention should be paid are more specific investments dedicated to it. Frequently organisations define an infrastructure in order to take diversity forward, by setting up a diversity business group or task force, including a diversity champion with the aim of prompting and promoting diversity initiatives. The empirical evidence suggests that it is particularly important that this includes the involvement of the overall Chief Executive to ensure that all senior managers take diversity seriously within their business areas, and ensure that diversity is integrated into all business activities.



One best practice identified during the study is that it is particularly important at the beginning of diversity initiatives to define action groups involving employees from various different job levels. These groups can be involved in a learning process aimed at understanding diversity and how its underlying philosophy differs from equal opportunities approaches. These groups can form a kind of organisational conscience when they go back to their parts of the business, by ensuring that day-by-day activities reflect the diversity objectives and philosophies.

Moreover, in order to achieve successful implementation of diversity initiatives, the empirical findings suggest that it is important to have a diversity manager within the organisation, even after successful diversity initiatives. The objective is then to co-ordinate activities such as putting together materials and supporting line managers to deliver diversity. The manager can also work closely with the board level diversity champion. Evidence suggests that these roles have to be filled by people who really believe in diversity and its benefits to the organisation, and have diversity aligned to their personal values.

Even if a central organisation unit is set up to instigate and co-ordinate diversity initiatives, this study of diversity management practice suggests that all areas of the organisation need to feel ownership of and responsibility for diversity programmes. Diversity management initiatives need to reach every line manager and every individual - everyone has responsibility for diversity management. Everyone needs to consider the way in which they treat their diverse colleagues, and support an inclusive and flexible organisation culture.

Particularly important for the success of the implementation of diversity initiatives is to get board level sponsorship and to engage the middle management tier. The role of the middle management tier is very important since it represents the location for changing the culture, moving forward. Middle managers are likely to have the greatest influence over operation processes.



Ultimately diversity remains a cultural issue and it needs to be part of the day-to-day working activities rather than be managed centrally, although a central facilitator is needed to monitor progress and initiate projects to prevent or address slippage. The conditions identified by Thomas and Ely (1996) to connect diversity to work perspectives appear particularly important. These conditions are listed in Table 6.

<b>Table 6: Conditions to connect diversity to work perspectives (Thomas &amp; Ely, 19996)</b>
1. Understand that a diverse workforce will embody different perspectives and approaches to work, and leadership must truly value variety of opinion and insight.
2. Recognise both the learning opportunities and the challenges that the expression of different perspectives presents for an organisation.
3. The organisational culture must create an expectation of high standards of performance from everyone.
4. The organisational culture must stimulate personal development.
5. The organisational culture must encourage openness.
6. The culture must make workers feel valued.
7. The organisation must have a well-articulated and widely understood mission.
8. The organisation must have a relatively egalitarian, non-bureaucratic structure.

Looking at the experiences of the companies studied, it is possible to define an evolutionary process regarding the implementation of diversity management (Figure 5). Four main stages can be identified, corresponding to four possible forms of implementation of diversity management within an organisation. Usually organisations start with equal opportunity initiatives, then move to diversity initiatives. Initially, diversity management is an integral part of HR processes. Later, when organisations recognise the strategic value of diversity, a dedicated organisation unit is defined. The last stage represents the way successful diversity management can be managed by integrating diversity management in the day-to-day operations of the organisation.

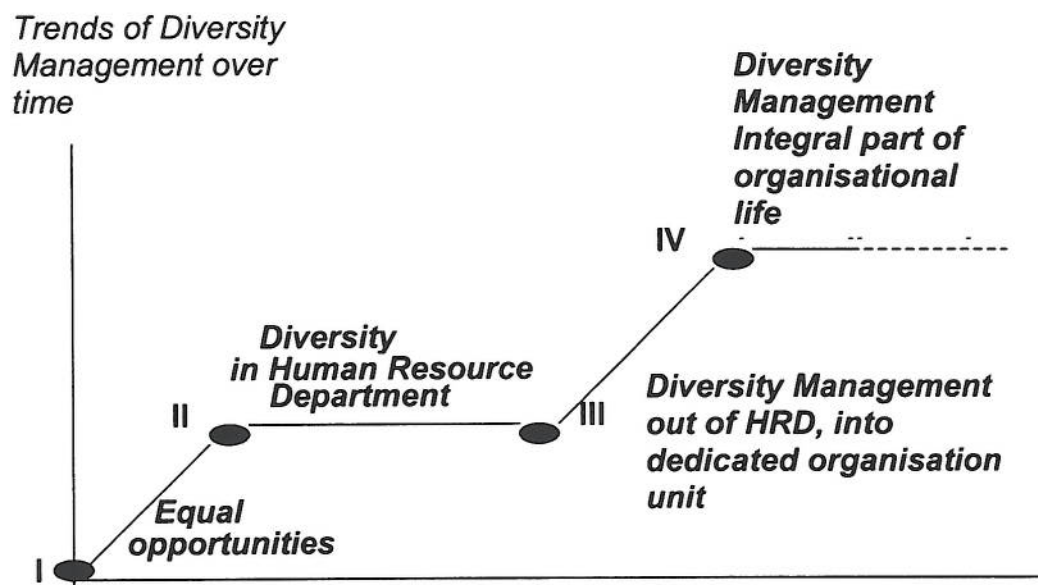


Figure 5. Forms of implementation of diversity management within an organisation.

## **6 Linking corporate strategy to diversity initiatives**

Diversity is now recognised by organisations as a strategy that can contribute to improved competitiveness. This interpretation is tied to the concept that diversity is a business issue rather than just a legal compliance issue, or a moral and social responsibility issue.

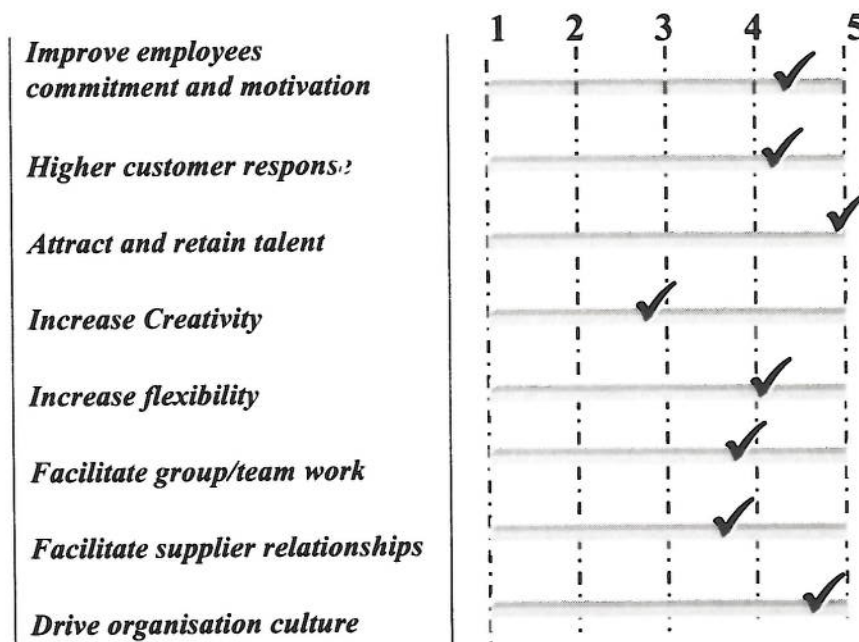
Our empirical research suggests that diversity can create competitive advantage providing both external and internal value to an organisation. Externally, a diverse workforce allows management of the company's brand increasing the chances of fostering brand loyalty resulting in greater customer retention and growth. Internally, a more diverse workforce has positive benefits on organisational effectiveness by raising morale, bringing greater access to new market segments and enhancing productivity.

Both public and private organisations in our sample considered diversity to be a way to make organisations more flexible and responsive. In particular, three main aims of diversity initiatives could be identified, which could be summarised by the acronym STA (See - Think - Act). Diversity is interpreted as a way to better See the end demand requirements, i.e. to better understand the market or the social community's needs, for private and public sector organisations respectively. Moreover, diversity leads organisations to *Think* about the strategies to put in place in order to satisfy either the market demand or the social community needs. In particular for public sector organisations, diversity management is seen as a lever that enables better policies to be pursued and provides a clearer view of the expectations and needs of the wider community. Finally, diversity improves the organisation's abilities to *Act*. Diversity allows organisations to acquire the wider skill sets which are critical to support the delivery of a major frontline service to an increasingly diverse target population of customers and service users.



Given the importance of diversity for company competitiveness, it is suggested that companies should treat it as one of their central business issues, closely aligned to and integrated with all the other corporate strategic objectives. For this reason, diversity should be reported and directed at board level and then managed by a diversity manager and cascaded throughout the organisation with the aim of integrating it into the daily activities of the company.

Analysis of the management literature identifies a range of strategic reasons which prompt organisations to develop diversity initiatives. These include the need to: improve employee commitment and motivation; increase customer response; attract and retain talents; increase creativity; increase flexibility; facilitate group/team work; facilitate supplier relationships; and drive change in the organisation culture. In our interviews, we asked the organisations to rate these reasons in terms of importance. In Figure 6, the average level of importance of the different strategic value drivers is illustrated.



*Figure 6. Average level of value drivers' weights expressed by interview organisation.*

### **6.1 *Improve employees' commitment and motivation***

The improvement of employee commitment and motivation is considered a very important value driver for the implementation of diversity initiatives. Diversity initiatives are a way to help organisations to build up an organisational environment in which all employees feel included and valued on the basis of merit. Moreover, it is believed that successful diversity programs can boost overall company morale, by giving people a feeling that they are doing the right thing and enhancing a culture where merit is rewarded regardless of gender or race. Where people are treated fairly, they are happier, they are therefore more productive, and if they are more productive, they are improving organisational performance. Organisations in our sample implemented staff surveys in order to monitor employee commitment and motivation.

### **6.2 *Higher customer response***

The customer response is interpreted particularly by companies as the direct link between diversity initiatives and the bottom line. There is a common view that as product markets continue to grow both domestically and internationally, few companies can expect to gain access to this kaleidoscope of customers without recruiting and retaining a workforce that reflects the diversity of the marketplace. Those organisations who have a mix of employees that reflects their customer base customers find that the employees can literally and figuratively speak the customer's language, which benefits organisation performance. Diverse employees can better understand the requirements of diverse customers, identify their needs and suggest potential new markets. Diversity also can increase a company's access to new markets and help in understanding the needs of these markets. For the public sector organisations, the need was to extend their services to the wider diverse community, and again, diversity management could lead to increased take up of services by those who were different.



### **6.3 *Attracting and retaining talent***

As finding highly talented people in the recruitment market becomes increasingly difficult due to the high demand for skilled staff, recruiting and retaining talented employees is becoming very important for organisational success. Thus attracting and retaining talent is considered the most important value driver for diversity management implementation within our sample organisations. Findings of the study suggest that successful management of diversity does aid recruitment. Qualified and talented candidates are often attracted to employers who are able to show that they are committed to developing and promoting a wider array of people. Furthermore, diversity initiatives are seen as a way to reduce employee turnover, particularly of those individuals falling into a group considered to be "different", who reportedly often leave after a year or so. In other words, diversity initiatives can reduce the costs of turnover and annual recruitment. Finally, diversity initiatives indicate to staff that employees are valued and rewarded on the basis of their talents and skills.

### **6.4 *Increase creativity***

Even though some management literature suggests increased creativity as a relevant and strategic reason for adopting diversity management, the interviews undertaken did not suggest that this was a major value driver for diversity management. Nonetheless, diversity managers did comment that employees from varied backgrounds bring different perspectives, ideas and solutions, and can devise new products and services, challenge accepted views and generate a dynamic synergy that may yield new niches for business opportunity. It is recognised that diverse groups tend to be more creative problem-solvers as their differences in background and perspective bring a wider discussion and broader range of options. The study suggests, therefore, that diverse organisations have the potential to be more innovative but this impact has not yet been measured. Finally, we add that corporate boards and leaders especially may benefit from diversity in their profile because they are often



called into action specifically to solve problems that are out of the ordinary, requiring innovative solutions to be found.

### **6.5      *Increase flexibility***

Interviewees recognise that diversity is at the basis of the organisation's ability to respond to changing environments and demands, making it more flexible. In particular, many organisations interpret diversity as a training ground that provides the opportunity to learn how to handle change by adapting to new situations and learning from people from different from backgrounds.

### **6.6      *Improve group/team work***

Even though organisations recognise the value that diversity initiatives can have in improving group and team working, this is not considered to be a very significant driver of value. Nonetheless, it appears particularly relevant to those organisations which undertake considerable amounts of project work, as it enables inter-group conflicts to be avoided or managed. It is important to stress that in the literature, some studies have found that diverse groups make better decisions because they are more creative, while other researchers find that diverse groups are less effective because they have more conflicts.

### **6.7      *Facilitate supplier relationships***

Some organisations stressed that companies with greater diversity also make better business partners and merge more smoothly with other companies. A jarring clash of cultures can so easily undermine these business deals. Diverse companies ease the transition because they more readily understand and accept different cultures. Public sector organisations were charged with using suppliers committed to equal opportunities policies, and so suppliers with diversity in their workforce would probably attract more business.

## **6.8 Drive the organisation culture**

This is considered to be a very important value driver. Diversity is adopted as a fundamental lever to influence organisation culture (although it is important to remember that organisational culture changes very slowly, and at a different pace in different parts of the organisation). This point is also supported by the management literature in which there are many studies that specifically describe how people from differing socio-cultural groups have differing perspectives and different interpretation processes, manifested in their values, attitudes, beliefs, and behaviours (Hall, 1983; Kluckhohn and Strodtbeck, 1961).

According to this value driver, managing diversity is mainly concerned with the management of cultural differences within the organisation. Managing organisational culture is a strategic issue. The organisational culture, interpreted as the organisation's set of values, vision, mission, policies, procedures, and norms is the most important driver of organisational behaviour. Culture affects how the business is perceived and managed, and determines how well an organisation will perform.

## **6.9 Other drivers**

The interviews highlighted other strategic value drivers for the implementation of diversity initiatives. Particularly important were the moral arguments, not only for public sector organisations which have strong moral and ethical requirements, but also for private sector organisations. In fact, in addition to the profit motivation, many of the companies studied said that they very much believed that organisations should contribute to the communities in which they operate.

## **6.10 The success chain**

Finally in order to stress the strategic role of diversity, a success chain (Figure 6) is proposed as an interpretative framework of the relevance of managing diversity. It shows that managing diversity results in generation of value for the

organisation, which in turn enables improved business performance in accordance with the factors presented above. Ultimately better business performance leads to bottom-line results.



*Figure 6. Success chain of diversity management initiatives.*



## **7. Measuring diversity initiatives**

How can you measure the success of diversity programs? This question represents one of the greatest challenges for diversity managers. Certainly, measuring diversity and its value for the organisation is fundamental to diversity management. Organisations are accustomed to using numbers to measure bottom line results – sales figures, employee turnover, profit and loss are just a few traditional indicators. Measuring the success of diversity activities, programmes and processes is less obvious, and is difficult to quantify. Nevertheless, senior management are starting to demand metrics that can prove the success and value of their organisation's diversity initiatives. Measuring the results and value of an organisation's diversity activities is critical if such initiatives are to have a high profile and receive sufficient credibility. Measurement enables benchmarking of activities and the development of future programmes that positively impact on the bottom line.

The empirical research suggests that the assessment of diversity initiatives have two main aims, which correspond to two different measurement approaches. These are:

- the evaluation of organisational diversity
- the measurement of performance of diversity initiatives.

### **7.1 *The evaluation of organisational diversity***

The first relates to an understanding of the diversity within the organisation (knowing how diverse its staff are, and where the diverse individuals are spread across the organisation) and aims to monitor diversity policies within the organisation. Some possible metrics are: the percentage representation of diverse groups in the various job categories; participation of diverse people in management and career development programmes; and the percentage of women and ethnic minority individuals on the board and in senior management.

## **7.2 Measurement of performance of diversity initiatives**

The second measurement system is to analyse the benefits to business performance of the diversity programmes or initiatives. The range of indicators which might be defined is very large since it relates to the performance of specific business processes. Some possible indicators include:

- absenteeism rates and associated costs;
- employee turnover/retention rates (especially of key classes of employees, such as high-tech professionals, women or people from ethnic minorities) and associated costs;
- proportion of employment offers accepted by target groups;
- penetration into diverse market segments;
- customer satisfaction;
- employee productivity;
- saved litigation costs;
- cycle time for heterogeneous or global work teams;
- team productivity;
- innovation rates (e.g., number of new ideas generated per employee);
- number of new ideas and projects generated by a diverse work team;
- number of expatriate assignments terminated prematurely;
- success or failure of mergers/acquisitions.

The findings of the interviews suggest that the best way to assess and monitor the value generated by diversity programs is to define targets related to the diversity initiatives and to ensure that these targets are measurable. Example of such possible targets include: reduce turnover of female employees by 25%; increase satisfaction of all employees by 10%; reduce satisfaction disparities among groups by 50%; increase proportion of women in senior management to 30% within three years with a target for each year; and track employee profile to more closely match demographics of the total workforce.



### **7.3 Tools for measurement**

#### **7.3.1 Collect baseline data**

Various types of data can be collected and monitored to evaluate and measure diversity programmes. It is important to choose performance measures that are valid, for which data are available and reliable, that can be replicated over time, and most of all, that will encourage the desired behaviours and attitudes. A complete "suite" of metrics would include some combination of three basic approaches: measurement of changes in organisational performance, measurement of individual behaviour and measurement of stakeholder attitudes.

In order to collect baseline data to measure diversity initiatives, three main approaches are identified: the use of existing organisational data, diversity survey, and focus groups.

#### **7.3.2 Existing organisational data**

This approach is based on the fact that a large amount of data already exists within organisations which could be used to assess organisational diversity and the results of diversity initiatives. Such data would provide even more insight when statistics are compared by group. For example, is there higher turnover among females than males and what is the cost (in pounds) of turnover to your organisation? Is there a higher percentage of complaints in divisions with less diversity? Is there a greater rate of absenteeism among a specific group of employees? Is there a significant difference in satisfaction levels of employees by ethnicity, job classification or gender?

#### **7.3.3 Conducting a diversity survey**

Another way of getting baseline information is by conducting regular staff surveys, as most organisations already do. These can be managed on different time scales. Surveys can be used, for example, to monitor recruitment trends,

and analyse the organisation's attractiveness to diverse groups in society. Surveys can help identify the diversity of the workforce and its changes over time. Surveys can help an understanding of why the organisation's workforce is constituted the way it is, and may help identify issues to do with diversity that need to be addressed.

#### **7.3.4 Focus groups**

Getting employees together in small groups (6-10 people) to discuss their perceptions of obstacles, issues, and conditions is another way to obtain pertinent information that would be less likely to be surfaced in a survey. However care needs to be taken to involve people from across the organisation, and at all levels, not exclusively minority individuals.

### **7.4 *Measuring the impact of diversity on bottom line***

Related to the analysis of the benefits of diversity initiatives on business performance is investigation of the links between successful diversity programmes and the overall bottom line. However there is no hard evidence that diversity yields a bottom-line advantage. The links are complex and difficult to quantify.

There is an underlying hypothesis for investments in diversity management that diversity programs will lead to a positive impact both on the workforce and on relations with customers resulting in a positive impact on the bottom line in terms of sales and costs. It is stressed that not all diversity initiatives will necessarily have a positive impact. The best programmes succeed when they are one part of a good workforce management plan. Poorly managed diversity programmes can be as harmful as well-run ones can be beneficial, particularly when expectations of enhanced opportunities are raised by the initiative.

In order to demonstrate diversity's value to the bottom line, it is helpful if measurement proxies of the value of diversity can be converted to financial

terms. For example, a benefit such as increased customer-satisfaction ratings; or improved employee morale and productivity might be converted to increased sales or reduced costs. Measurement needs to be an integral part of diversity programmes right from the planning stage, not just a check at the end of an initiative. Gathering data and setting performance criteria are critical aspects of planning, and measures should provide feedback that help to shape future plans.

### **7.5 *Communicating measures and results***

Performance measurement data can be used in a variety of different ways. In some countries, such as Sweden, companies frequently report progress on their diversity management measures in their annual reports, together with the financial results. This signifies the importance of diversity management to both internal and external stakeholders. Some of our sample organisations already provide a report which cover their stance on diversity, equality, corporate social responsibility as well as reporting what they are doing to support and sustain the communities in which they operate. A diversity report allows organisations to summarise both the successful implementation of diversity management and the results that have been achieved through specific diversity initiatives.



## **8. Final remarks**

### **8.1 *Manage diversity well for strategic advantage***

By analysing the link between diversity and company's business performance, previous research indicates that direct and indirect positive effects of diversity on organisation performance can be identified (Cox, 1993). Leveraging the contribution of the workforce through diversity allows the effectiveness of the organisation's processes to be increased, for example by enhancing the problem-solving capabilities of the organisation. However diversity can have also a negative impact on organisation effectiveness. Group cohesiveness may decrease and communication problems may increase. Thus diversity is a resource which can produce value only if well managed (Millikin and Martins, 1996). This means that managers need to focus considerable attention on the management of their organisation's diversity initiatives and the tools for assessing diversity management performance.

This research report is based both on an analysis of the management literature and of an empirical study of leading public and private sector organisations. It outlines an initial framework to support managers in assessing their organisational diversity management approaches.

### **8.2 *Suggestions for further research***

Further research is necessary to investigate in more depth the aspects of diversity management, which have been introduced here. For example, of particular importance is the analysis of case studies to prove the links between diversity management initiatives and the bottom line as proposed in the diversity success chain. Firstly, we need to know if diversity management really does impact the bottom line, and where the greatest benefits are to be found, so that measures can be taken to gain maximum advantage from diversity.

Secondly, we need to capture managers' experience and views of best practice in diversity management performance. Since diversity management is likely to have organisationally-specific meaning, each organisation has to decide for itself why, what and how to design and perform its diversity management processes. For this reason, it is very important that managers define structured approaches to develop their diversity programmes. Using a representative sample of organisations which have experienced successful implementation of diversity programs, new research might codify the most important managerial insights and best practices to be considered when planning diversity programs. These managerial insights could be incorporated into a Diversity Management Planning Sheet, i.e. a checklist of questions which managers have to answer to plan their action diversity programs.

Thirdly, we need to examine and promote the best tools for diversity management. A new Diversity Excellence Model based on the European Total Quality Management model has recently been introduced. This is very helpful, as it presents a structure for managers to provide numbers for benchmarking progress on difficult areas. It certainly goes much of the way towards the proposals in this research report.

***However, the measurement of business performance has recently moved on from the Excellence models of the 1990s towards the third generation of Business Performance Balanced Scorecards using strategy maps to integrate the various strategic objectives and business process results. A comparison of case studies using these different approaches would identify the most useful framework for diversity management performance measurement in the next decade.***



## **POSTSCRIPT**

Since undertaking this research, Val Singh has undertaken a report on diversity in the UK, its management and its performance, for the Council for Excellence in Management and Leadership (Singh, 2002). In addition, a paper by Singh, Schiuma and Vinnicombe (2002) was presented at the *Third International Conference on Theory and Practice in Performance Measurement and Management*, in Boston, USA. Copies of both of these papers are available from Cranfield School of Management.

## **Acknowledgements**

Thanks to all our participating organisations, and their diversity managers who gave their experiences, time and wisdom for our study.

Cambridgeshire County Council  
Department of Health  
Cabinet Office  
Inland Revenue  
Lord Chancellor's Dept)  
Prudential  
McDonald's  
Tesco  
IBM  
Lloyds TSB  
British Telecom

## **References**

- Baron J.N., Mittman B.S., Newman A.E. (1991) "Targets of opportunity: Organisational and environmental determinants of gender integration within the California Civil Service, 1979-1985", *American Journal of Sociology*, 96: pp. 1362-1401.
- Blum T.C., Fields D.L., Goodman J.S., (1994) "Organisational level determinants of women in management", *Academy of Management Journal*, 37: pp. 319-343.
- Centre for Management and Policy Studies (2001-2002) *The Diversity*



*Excellence Model*, [www.cmps.gov.uk/diversity](http://www.cmps.gov.uk/diversity).

- Cox T. (1993) *Cultural Diversity in Organisations: Theory, Research, and Practice*. San Francisco: Berrett-Koehler.
- Dass, P. and Parker, B. (1997a) "Strategies for managing human resource diversity: From resistance to learning", *Academy of Management Executive*, 13 (2) 68-80.
- Dass P., Parker B. (1997b) "Diversity: A Strategic Issue", in Kossek E.E. and Lobel S.A. (ed. by) *Managing Diversity – Human Resources Strategies for Transforming the Workplace*, Blackwell Business.
- Friedman J., DiTomaso N. (1996) "Myths about diversity: What managers need to know about changes in the U.S. labour force" *California Management Review*, 38: pp. 54-77.
- Gagnon S., Cornelius N. (2000) "Re-examining workplace equality: the capabilities approach", *Human Resource Management Journal*, 10(4): 68-87.
- Ivancevich J.M., Gilbert J.A. (2000) "Diversity Management – Time for a new approach", *Public Personnel Management*, 29(1): pp. 75-92.
- Jones R.T., Jerich B., Copeland L., Boyles M. (1989) "How do you manage a diverse workforce?", *Training*, 13(9).
- Kandola, R. and Fullerton, J. (1998) *Diversity in Action: Managing the Mosaic*, Institute of Personnel Development, London.
- Kelly D., Amburgey T.L. (1991) "Organisational inertia and momentum: A dynamic model of strategic change", *Academy of Management Journal*, 34: pp. 591-612.
- Liff S. and Wajcman J. (1996) "Sameness and difference revisited: which way forward for equal opportunity initiatives?", *Journal of Management Studies*, 33(1): 79-94.
- Livtin D. R. (2000) "The Business Case for Diversity and the Iron Cage", Proceedings EGOS, Helsinki, Finland, 2-4 June.
- Milliken, F.J. and Martins, L.L. (1996) "Searching for common threads: Understanding the multiple effects of diversity in organizational groups", *Academy of Management Review*, 21 (2) 402-434.
- Pelled L.H. (1996) "Demographic Diversity, Conflict, and Work Group Outcomes: An Intervening Process Theory", *Organisation Science*, 7: 615-631.
- Richard O.C. (1997) "Cross-national human resource diversity as value-added: The contingent role of global strategy", *Mid-Atlantic Journal of Business*, 33(3).

- Singh, V. (2002) Managing Diversity for Strategic Advantage, Report for Council for Excellence in Management and Leadership, London.
- Singh, V., Schiuma, G. and Vinnicombe, S. (2002) "Assessing diversity management", *Third International Conference on Theory and Practice in Performance Measurement and Management*, Boston, July.
- Solomn C.M. (1989), "The corporate response to work force diversity", *Personnel Journal*, 43-53.
- Thomas D.A., and Ely, R.J. (1996) "Making differences matter: A new paradigm for managing diversity", *Harvard Business Review*, September-October: pp. 79-90.
- Thomas R. (1990) "From Affirmative Action to Affirming Diversity", *Harvard Business Review*, March-April: pp. 107- 117.
- Wilson E., Iles P. (1996) "Managing diversity: evaluation of emerging paradigm", *British Academy of Management Conference Proceedings*, Aston Business School.
- Wah L. (1999) "Diversity a competitive weapon", *Management Review*, July-August: pp. 24-30.



## **Biographies**

**Dr Giovanni Schiuma** is Visiting Fellow in the Cranfield Centre for Business Performance. He holds a Laurea degree in Environmental Management Engineering and PhD in Business Management (Università degli Studi di Roma 'Tor Vergata'). He is Assistant Professor at Università degli Studi della Basilicata in Italy, and Director of Laboratorio di Ingegneria Economico-Gestionale, lecturing on Business Management and Operations & Logistics Management". Research and consulting interests focus on intangible assets management, business performance management, and innovation in SMEs, as well as diversity performance, expatriates management measurement, six sigma and project management.

**Dr Val Singh** is Senior Research Fellow in Organizational Behaviour, working in the Centre for Developing Women Business Leaders at Cranfield School of Management, where she gained her PhD in 2000, researching gender and managerial meanings of 'commitment' in the UK and Sweden. Her previous career was in university management. Val's current research focuses on women directors on FTSE 100 company boards; impression management strategies for enhanced personal reputation; mentoring and diversity management performance. Her consultancy work includes a recently published report *Managing Diversity for Strategic Advantage* for the Council for Excellence in Management and Leadership, as well as writing, speaking and lecturing engagements. Since coming into academia in 2000, Val has supervised research students, has reviewed for a range of journals, and has published a number of refereed journal articles (including *Long Range Planning; Gender, Work & Organization; Journal of Business Ethics; Women in Management Review; Corporate Governance: An International Review; European Management Journal; Personnel Review*). She has contributed book chapters on women in management as well as research methodology. She writes occasional practitioner (eg *Director Magazine; Inclusion*) and newspaper



articles (eg *The Guardian*; *BBC On-Line*). Val also lectures on research methods.

**Professor Susan Vinnicombe** is Director of the Centre for Developing Women Business Leaders, as well as Professor of Organizational Behaviour and Diversity Management, and Director of Graduate Research at Cranfield School of Management. She was Academic Dean of the School from 1995-1998. Susan has designed and run award-winning women's management development courses in major organisations. She consults for major organisations on women-in-management issues and is in frequent demand as a speaker. She has written five books, including *Working in Organizations* and *The Essence of Women in Management*. Her forthcoming book, *Women With Attitude*, reports interviews with 15 winners of the Veuve Cliquot European Businesswomen of the Year competitions. Susan's current research interests focus on women in leadership in both the corporate and public sectors as well as the professional services field. She is on the editorial board of *Women in Management Review*, and has published a number of journal articles (eg *International Journal of Human Resource Management*; *Long Range Planning*; *Gender, Work & Organization*; *Journal of Business Ethics*; *Women in Management Review*; *Corporate Governance: An International Review*; *European Management Journal*; *Personnel Review*; *Journal of Managerial Psychology*) and book chapters. Susan is a member of the Committee of the US Academy of Management Division on Gender and Diversity in Organizations.