Diversity Management: A New Organizational Paradigm

Jacqueline A. Gilbert
Bette Ann Stead
John M. Ivancevich

ABSTRACT. Currently, an increasing number of organizations are attempting to enhance inclusiveness of under represented individuals through proactive efforts to manage their diversity. In this article, we define diversity management against the backdrop of its predecessor, affirmative action. Next, selected examples of organizations that have experienced specific positive bottom line results from diversity management strategies are discussed. The present paper also provides a conceptual model to examine antecedents and consequences of effective diversity management. Additional research areas identified from the model and literature review result in a number of research propositions intended to enhance the exploration and understanding of diversity management.

Dr. Jackie Gilbert is Assistant Professor at Middle Tennessee State University. She conducts research in the areas of diversity management, cross-cultural relations, and genetic psychology.

Bette Ann Stead is Professor of Marketing and Director of the Institute for Business Ethics and Public Issues at the University of Houston, and co-chair of the Greater Houston Business Ethics Roundtable. Her articles have appeared in such journals as the Journal of Business Ethics, Business Horizons, Sex Roles, Academy of Management Journal, *and the* Journal of Nonprofit and Public Sector.

Dr. John M. Ivancevich holds the Hugh Roy and Lillie Cranz Cullen Distinguished Professorship in Organizational Behavior. His many research interests include goal setting, withdrawal, and training. Dr. Ivancevich is an Academy of Management Fellow.

> To manage diversity effectively, a corporation must value diversity; it must have diversity, and it must change the organization to accommodate diversity and make it an integral part of the organization.
>
> Sessa (1992), p. 37, *Diversity in the Workplace*

In the past few years, a seemingly endless stream of academic literature and advertisements, as well as popular books and videotapes which tout the benefits of diversity[1] in the workplace have filled bookshelves and the airwaves. Increased diversity has been suggested to enhance problem solving capabilities of a group, to provide better service to a diverse customer base, and to boost organizational creativity. To harness all of these activities into a cogent plan, it has further been suggested that organizations engage in 'diversity management.' Diversity management is a voluntary organizational program designed to create greater inclusion of all individuals into informal social networks and formal company programs.

Voluntary organizational diversity initiatives may be particularly important in an era in which the concept of affirmative action is changing. Currently a number of states, as well as the courts, are debating the future fate of affirmative action. The end result may be the dismantling of programs which are perceived as providing advantage for any specific group. Consequently, it may be necessary for organizations desiring a diverse workforce to cultivate their own unique methods for addressing diversity. While diversity management is popularized in the literature as a necessary program for organizations desiring to remain competitive, the

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concept of diversity management remains nebulous.

The purpose of this paper is to further delineate and refine the diversity management concept. In doing so, we will outline ways in which diversity management is different from affirmative action. We will also explain diversity management concepts in terms of currently accepted management theories to promote a better understanding of the complexities inherent in diversity management implementation and organizational cultural change. Lastly, we suggest a conceptual model or framework for examining critical antecedents and consequences of diversity management. Previous researchers have provided models of diversity and related variables (Cox and Blake, 1991; Cox and Smolinski, 1994; Barry and Batemen, 1996; Milliken and Martins, 1996; Triandis et al., 1994). The model presented in this paper attempts to provide an integrative view of diversity management by identifying suggested antecedents and consequences of an organization-wide diversity program. A research agenda based on gaps identified from the model and review is offered as a guide to further study in this important area. Pertinent literature, as well as examples from practitioners, will be used throughout the manuscript to illustrate relevant points.

Perceptions of affirmative action

Title VII of the 1964 Civil Rights Act was an important impetus that gave minority[2] individuals the hope of equal employment opportunity. Title VII was articulated as a mission statement. There was no specific strategy until April 2, 1972, when Executive Order 11246, which outlined affirmative action, was signed by President Lyndon B. Johnson. The goals and timetables for affirmative action were contained in a later executive order signed by President Richard M. Nixon.

Although affirmative action still receives strong support from many, inaccurate perceptions of affirmative action stem from incorrect use of the term 'quota,' and the omission of the word 'qualified.' Throughout the 70's, 80's, and 90's, examples of the word 'quota' being used in association with affirmative action can be found (Smith, 1978; 'The New Bias,' 1981; Whitmire, 1984; Yang et al., 1995). The Carnegie Council on Policy Studies in Higher Education distinguished between 'quotas' and 'goals' as follows:

> Quota – an assigned share, a proportional result, a fixed division of numbers, must remit, precise (no variation below or above), rigid, permanent.
>
> Goal – a purpose, try to meet, subject to variation depending on circumstances, subject to change over time, can be abandoned when no longer needed (Smith, 1978).

Goals, unlike quotas, do not require hiring workers when there are no vacancies, or hiring unqualified workers (DeWitt, 1973).

Even though the intent of affirmative action is to ensure equal employment opportunity for all, negative perceptions, combined with poor implementation at the organization level, have resulted in a social policy which is considered ineffective and unjust by some. Specific negative perceptions of affirmative action are illustrated by the following:

- Affirmative action has created a spoils system in which people who actually have never experienced discrimination are reaping benefits at the expense of white males (Robinson, 1992).
- Lower hiring and performance standards have been applied to minorities (Wynter, 1994).
- Compensatory awards administered under affirmative action stigmatize beneficiaries through lowering of merit based admissions/hiring criterion (Cohen, 1996).
- Minorities have achieved their professional goals and no longer need affirmative action. According to the Small Business Association, in 1992 minority owned firms (which make up 9% of the business population) only obtained 4.1% of federal government contracts ('Minority Set-asides,' 1995). Although women are not a numerical minority in the population, they have retained the minority label because they

comprise a small representation in the power hierarchy of organizations (See Table I).

The above perceptions have contributed to affirmative action being construed by some members of both majority and minority groups as a flawed initiative.

In addition, recent studies have found that those hired under the auspices of affirmative action are perceived as less competent than majority workers (Heilman et al., 1992) and less qualified for the position they hold (Summers, 1991). Negative reactions toward affirmative action are apparent from several reverse discrim-

TABLE I
Why women are considered a minority

Management opportunities

In 1996 Price Waterhouse appointed its first female senior partner. Only about 6.6% of Price Waterhouse's 957 partners are women. Coopers & Lybrand has 7.5% and KPMG Peat Marwick, 8.1%. Women account for 13% of the partners in the 900 biggest law firms (Berton, 1996).

Only 14% of sales managers are women (Shellenberger, 1995).

The Glass Ceiling Commission's research showed that 95% of senior-level managers in the largest U.S. organizations are men ('An Unbreakable Glass,' 1995).

The number of women serving on corporate boards is slightly under 7% of total membership of the Top 1000 organizations ('Survey Shows,' 1995).

At the current pace, female managers will not achieve advancement parity with male managers for another 20 to 30 years (Sharpe, 1994).

Women as a percent of officials and managers are less than 10% at the following organizations: Nucor 2.6%, Ford Motor 4.4%, Halliburton 6.3%, Loews 17.4%, Conrail 4.5%, General Electric 8.5%, Archer-Daniel-Midland 6.2%, Raytheon Company 9.5%, Ohio Edison 3.3% ('Women Make,' 1994).

Salaries

The International Labor Organization estimates that at the present rate of progress it will take 475 years for parity to be achieved between men and women in top level managerial and administrative positions ("Women paid," 1995).

Women who earned just 60 cents for every dollar men made in 1980 were up to 70.6 cents a decade later (Reitman, 1994).

Only 400 000 women in the U.S. earn more than $75 000 a year, about one-eighth of the number of men making that much (Salwen, 1994).

Women average $17 924 and men $31 346 in sales. Women earning over $50 000 in 1992 numbered 141 000 with men numbering 801 000 ('The Gender Gap,' 1994).

Female mid-level hospital managers earned only 68% as much as men in similar positions. Women selling securities made 55% as much as their male counterparts ('Women Beware,' 1996).

Other opportunities

Of five prominent executive education programs, women represented between 2%–9% of the participants (Banerjee, 1993).

Only 3% (1986) and 6% (1994) of the managers working overseas from U.S. and Canadian organizations were women ('Female Managers,' 1994).

Less than 3% of federal government contracts go to women (Jenkins, 1996).

Only about 15% of roughly 101 500 stock brokers nationwide are women (Siconolfi and Jacobs, 1996).

ination suits – Wygnant vs. Jackson Board of Education (1986), U.S. v. Paradise (1987), Johnson v. Santa Clara County (1987), Firefighters v. City of Cleveland (1986), and Adarand Constructors, Inc. v. Pena (1995). Although affirmative action was designed to redress past discrimination and injustices perpetuated by society, inaccurate perceptions persist, in part because affirmative action outcomes are presumed to violate basic tenets of social justice (Nacoste, 1987, 1989).

Possible reasons for negative reactions stem from the belief that affirmative action hires are recruited on the basis of irrelevant workplace characteristics (Heilman et al., 1987). As such, affirmative action is regarded by some as a 'handout' program which presumably does not take into account the capabilities of targeted groups. This phenomenon is described in the affirmative action literature as the 'discounting' principle (Heilman et al., 1992) in which phenotype is the dominant screening criterion.

Surprisingly, empirical studies have suggested that some of the most staunch resistance to affirmative action policies has come not from dominant workplace groups, but rather from minority groups whom the policies were intended to benefit. Empirical research has shown that women who perceived that they were hired as a result of affirmative action mandates suffered greater stress, experienced less job satisfaction, and selected less demanding work assignments (Heilman, 1994; Heilman et al., 1991; Chacko, 1982) than women who felt that their sex was not responsible for their hire. Female professionals hired under affirmative action were more harsh in their formal evaluations of women and in their affective reactions toward other women (Heilman, 1994; Heilman et al., 1993). Research has suggested, however, that the negative impact of preferential selection is also dependent upon the self-esteem of the hiree (Heilman, 1994).

Negative perceptions may lead to the eventual downfall of affirmative action. Recently, the validity of affirmative action as a hiring technique has been questioned both by individual states as well as the Federal government, leaving its continuance unsure. If the courts invalidate affirmative action, then organizations which consider diversity a competitive advantage will formulate their own programs to capitalize on an increasingly heterogenous workforce. Voluntary efforts to deal with diversity related issues have been termed diversity management (Jackson, 1992; Cox, 1991; Thomas, 1991).

Diversity management compared with affirmative action

Although affirmative action and its consequences are in some cases negatively portrayed, the successor of affirmative action, diversity management, has been suggested a crucial element in organizational survival. Cox and Blake (1991) argue that effectively managed workplace diversity can create a competitive advantage in the areas of cost, resource acquisition, marketing, creativity, problem-solving, and organizational flexibility. This argument is reiterated by Cox and Smolinski (1994), who further suggest that managing diversity may result in higher organizational productivity, and ultimately in higher profit. In terms of individuals, the diversity literature states that effectively managed diversity can lead to decreases in frustration and turnover for women and people of color (Cox and Smolinski, 1994; Cox and Blake, 1991). At the group level, effectively managed diversity has the potential to lead to increased problem solving capabilities (Nemeth, 1986, 1985; Nemeth and Wachtler, 1983). Empirical research supports the notion that diversity management can have a positive spillover effect in the workplace. In a recent replication of the Heilman et al. (1992) study, Gilbert and Stead (1996) found that women hired in organizations which valued diversity were seen as more qualified for the jobs which they held. In this same study, the affirmative action label stigmatized women regardless of job type. A perception of enhanced competence should mitigate employment discrimination against minority individuals.

Creating a culture which values and appreciates differences requires major, systematic, planned change efforts (Bowens et al., 1993), which are typically not part of affirmative action plans. Diversity management has been considered a new organizational paradigm (Bowens et al., 1993; Giraldo, 1991) in that it moves beyond a human resource model based solely on legal compliance to one that suggests there is inherent value in diversity.

Cox (1991) describes an organizational continuum in terms of diversity initiative implementation, comprised of three types: monolithic, plural, and multicultural. In monolithic organizations, the extent of commitment to affirmative action is the existence of an affirmative action plan. In plural organizations, minorities may be more aggressively recruited and promoted, but are ultimately expected to assimilate into the dominant culture. Plural organizations espouse affirmative action to the exclusion of initiatives which promote true employee integration (Cox, 1991). The multicultural organization represents the ideal, a place in which differences are appreciated and used to gain competitive advantage. Multicultural organizations are suggested to promote both attitudinal and structural integration of minorities (Larkey, 1996) and to effectively manage corporate diversity.

Organizational benefits

Cox and Blake (1991) identify the following arguments for managing cultural diversity to achieve competitive advantage.

1. cost–reducing turnover and absenteeism
2. resource acquisition–attracting the best personnel as the labor pool shrinks and changes
3. marketing–bringing insight and cultural sensitivity to the marketing effort
4. creativity–increasing creativity and innovation
5. problem solving–bringing a wider range of perspectives and more thorough critical analysis
6. system flexibility–reacting to environmental changes faster and at less cost (Cox and Blake, 1991)

The results of these arguments are reflected in the experience of organizations identified in Table II.

Studies have also shown an increase in workers' average age, a shortage of skilled workers, and a more diverse consumer base in the United States. People of color in the U.S. now buy more as a group than any of our international trading partners. African Americans, Asians, and Hispanics are expected to reach 25% of the nation's consumer base and are forecasted to have annual spending power of $650B by the year 2000. Cox and Blake (1991) state that just as minorities may prefer to work for an employer who values diversity, they may also prefer to buy from such an organization. The diverse workforce's perspective serves to identify products, services, and marketing strategies appropriate for a diverse consumer base (Griggs, 1995), and may result in better quality ideas for goods and services (Milliken and Martins, 1996).

Robinson and Dechant (1997) note that the presentation of a solid business case increases the likelihood of obtaining leadership commitment and resources needed to successfully implement diversity initiatives.

Ethical considerations

Diversity issues have ethical considerations as their underpinnings. Business decisions that differ in approach to ethical actions stem from individual, professional, organizational, and societal values. The following ethical principles are proposed as relevant:

- The Golden Rule is one of the most popular as it is rooted in both history and several world religions. If you want to be treated fairly, treat others fairly (Carroll, 1990). The inclusiveness implicit in diversity management cannot succeed without fair treatment of all employees.
- The Disclosure Rule provides some strong indication of how actions may be viewed. If you are comfortable with decisions after asking yourself if you would mind if others were aware of them, the decision is probably ethical (Carroll, 1990). The openness necessary in administering diversity management provides a unique window for assuring success.
- The Rights Approach assumes that people's

TABLE II
Bottom line results from effectively managing diversity

Vought Aircraft Company – Increased output from 70–101% after several minority replacements, a minority supervisor, and some team building (Allen and Appeldoorn, 1995).

Ortho Pharmaceuticals – Calculated $500 000 savings from managing diversity due to lower turnover among minorities (Cox and Blake, 1991).

Avon Corporation – Turned formerly unprofitable inner-city markets into among the most productive U.S. markets by giving Black and Hispanic managers substantial authority over those markets (Cox and Blake, 1991).

Hoechst Celanese – Changed the polyester textile division from an 18-year money loser to posting a substantial profit after recruiting an African American director and a diverse business team (Rice, 1994).

Suquet Insurance Agency – Received Equitable's agency award for overall effectiveness and profitability with more than a dozen different nationalities represented in its sales force (Lindenberg, 1991).

MONY Financial Services – Drew on immigrant manager's experience to hire and train a sales force that understood the concerns of the Asian-Indian community in which the office has significant sales (Pradhan, 1989).

Toyota Dealership (Miami) – Integrated cultural awareness through respect, targeted advertising, bilingual salespeople, and special events to break down barriers. Increased sales by 400% over six years; captured more than 50% of the Miami Hispanic market (Kotkin, 1987).

Volkswagen Dealership (San Francisco) – Used cultural sensitivity training to achieve a five-fold increase in overall sales per month. Understood role of Chinese family elders as ultimate decision makers for major purchases (Kotkin, 1987).

Inland Steel – Moved people who brought different perspectives (women, Hispanics, Blacks) into key positions at Ryerson Coil Processing. Ryerson became profitable for the first time in its history (Weiss, 1992).

Rank Organization PLC – Let new mothers phase in their return to work as a way to cut recruitment and training costs. After five years, saved $1.5M by raising its retention rate for skilled women from 20% to 80% (Dwyer et al., 1996).

Dupont – African American employees recently opened up promising new markets for its agricultural products by focusing on African American farmers. The multicultural team gained about $45 million in new business world-wide by changing the way DuPont develops and markets decorating materials. The team recommended an array of new colors that appealed to overseas customers (Labich, 1996).

dignity is based on their ability to freely choose what they will do with their lives, and they have a fundamental moral right to have these choices respected (Valasquez, et al., 1996). Diversity management allows all people to reach their fullest potential by choosing career paths according to their interests and abilities.

If these ethical principles are removed, diversity management initiatives will collapse. Management that is uninterested in recognizing these principles will not provide the leadership and support diversity management to succeed.

An integrative model of effecgive diversity management

Diversity has been conceptualized in a variety of different ways in the literature: as a 'social trap' (Barry and Batemen, 1996); as one of many spheres of activity to be managed (Cox and Blake, 1991); and as a precursor to enhanced organizational performance (Cox and Smolinski, 1994). Based on the preceding literature review, we define diversity management as a complete organizational cultural change designed to foster appreciation of demographic, ethnic, and individual differences. Accomplishing cultural change designed to value diversity involves modification of existing procedures and practices, beginning with human resources function. The conceptualization presented in this paper integrates components from existing models with interview data and anecdotes from actual business practice. The end product is a parsimonious presentation of antecedent elements and organizational outcomes of effectively managed diversity. The integrated model (See Figure 1) suggests that specific factors are responsible for positive diversity results. As illustrated, CEO initiation and continuation leads to transformation of the human resource function, positive individual level outcomes for minority and majority individuals, and positive attitudes toward diversity. Benefits of effectively managed diversity in turn ultimately affect important organizational outcomes.

CEO initiation and continuation

Organizations featured as diversity leaders view valuing differences as a total cultural change, rather than as an isolated component of organizational policy designed to satisfy governmental mandates. CEOs of these organizations believe that diversity management makes sense both from a perspective of justice and a perspective of improving the 'bottom line.'

The diversity program at Xerox was initiated at the top. From the founder, Joseph Wilson, to CEO Paul Allaire, managerial attention to increased work force diversity has been mandated. CEOs at Xerox have considered proactive attention to diversity both a social responsibility and a sound business strategy. Xerox's approach has gone far beyond the limits of affirmative action. Xerox was one of the first organizations to use caucus groups (discussion and advocate groups representing ethnicity, sexual orientation, gender, and race) to advance the platforms of minority employees through direct communication with top management. Diversity training for managers, compensation equity, career development, and human resource strategic planning are also emphasized. Xerox is committed to achieving a balanced workforce, with the goal of parity in representation of all employees in all job categories. Through planned change efforts, the diversity of Xerox's workforce has been maintained even though downsizing has occurred.

J. C. Penney has also changed its culture

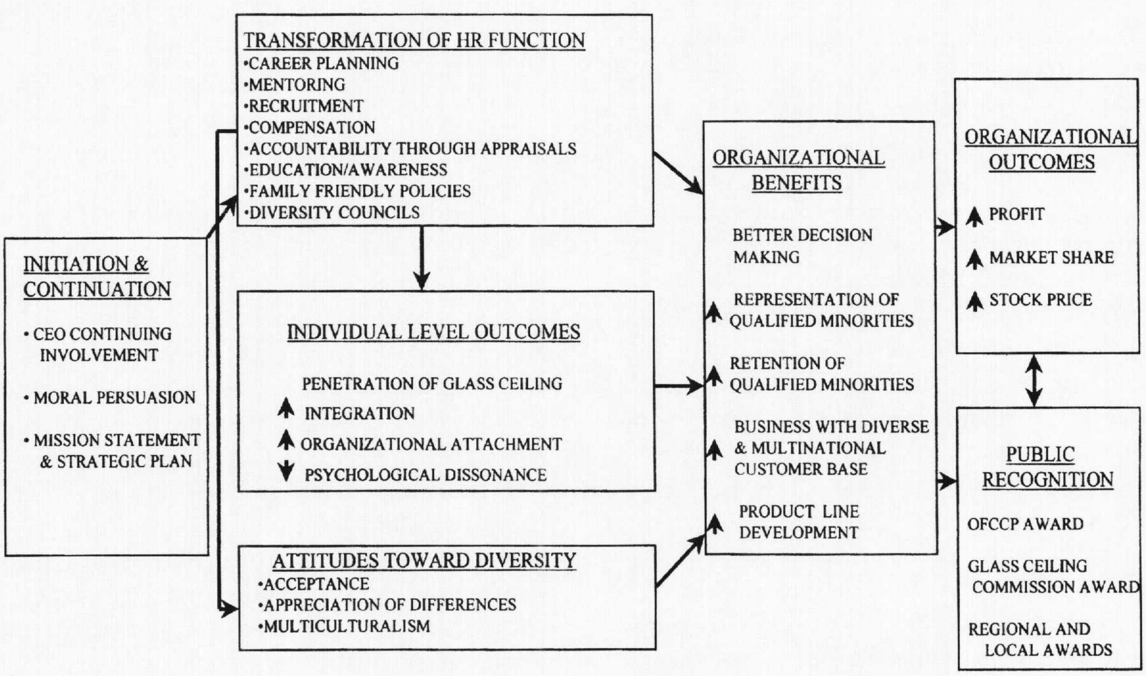

Figure 1. A model of effective diversity management.

because of CEO initiated change. The organization hopes to achieve a goal of 46% representation of women within most management levels in the near future. In addition to diversity and sensitivity training, J. C. Penney's offers formal mentoring programs, seminars on networking skills, on-site child care, career pathing, as well as internal and external programs designed to promote gender equality (Duff-Bloom, 1996).

At Xerox, and J. C. Penney's, organizational commitment to diversity was initiated by the CEO. The transformational leadership skills of these CEOs acted as a catalyst to organizational change. They were able to convince their organizations that managing diversity was a business imperative and a moral obligation, and not simply a governmental mandate. CEOs at the above-mentioned organizations galvanized their work forces to take diversity seriously through moral persuasion (Barry and Bateman, 1996), through personally surveying change efforts, and through concerted efforts to change employees' awareness of key issues. J. C. Penney's and Xerox changed their mission statements and strategic plans to incorporate diversity related goals, and subsequently demonstrated their commitment to diversity through initiating organizational cultural change.

Other CEOs who now advocate valuing diversity as a corporate goal came to that realization as a result of legal battles. The following diversity programs were initiated after litigation:

- *Denny's* – Denny's was once an example of entrenched prejudice. To change corporate culture, Jim Adamson, CEO, devised a four-part strategy: (1) make organizational structure less hierarchical; (2) make diversity a performance criteria for all managers; (3) require all employees to attend workshops on racial sensitivity; (4) continually emphasize the importance of diversity (Rice, 1996).
- *Shoney's* – Shoney's settled a $134M class action suit that named more than 200 current and former executives, supervisors and managers who had disparaged blacks, blocked their promotions, or fired or declined to hire them for racial reasons. Since 1989, Shoney's has added 83 black dining-room supervisors, 2 of 24 vice presidents, 1 of 9 board members, 13 franchise owners, and has spent an estimated $17M annually to buy goods and services from minority-owned companies (Gaiter, 1996).
- *Fleet Financial Group* – After spending over $100M settling lawsuits for allegedly biased lending practices, CEO Terrence Murray told shareholders at the annual meeting that he and Chairman Joel Alvord "cannot change the past, but we certainly can and will reshape our future." A plan to improve employee sensitivity to diversity ties managers' bonuses to these efforts. A "diversity council" has been created and hundreds of managers have been enrolled in diversity training (Hirsch, 1996).

Konrad and Linnehan (1995) found that legal interventions were most strongly associated with those organizations that had the lowest percentages of either females or people of color. However, lawsuits do not have to be the motivating factor for firms to act. Newly appointed CEO at Procter and Gamble, John Pepper, is committed to increasing organizational diversity as a means of attracting the best talent and serving diverse markets (Labich, 1996).

Transformation of the human resource function

As Figure 1 suggests, diversity as a strategic imperative will result in structural organizational changes, specifically in augmentation of the human resource function. An inclusive description of diversity management initiatives is found in Morrison's 1992 book, *The New Leaders*. Through in-depth interviews with an array of managerial personnel from 16 organizations, Morrison uncovered 52 diversity practices and 23 accountability practices used in organizations which were trying to promote a culture of valuing differences. These initiatives suggest that simply a one- or two-day diversity training program is insufficient to create the cultural change necessary for minority individuals to feel fully integrated in the workplace. Under the rubric of diversity management, entire personnel systems (e.g., compensation, performance appraisal, mentoring, career pathing) are modified (Morrison, 1992; Cox 1991) to promote employee inclusion. Figure 1 presents a sampling of the more common human resource systems targeted in a diversity change effort.

Individual level outcomes and attitudes toward diversity

The intent of diversity management is to foster enhanced employee integration. As Thomas (1992) argues, integration (based on valuing differences), as opposed to assimilation (resulting from organizational compliance), will become a sought-after organizational strategy for the following reasons: (1) employees are less willing to assimilate into the dominant organizational culture, and (2) some factors may be beyond assimilation. Thomas (1992) further suggests that assimilation of diverse employees may actually be dysfunctional, resulting in inability to attract and retain qualified people. Although some researchers argue that assimilation is beneficial [See LaFramboise et al., 1993, for a review], recent accounts from corporations suggest that retention of one's cultural identity at work may be advantageous for the individual and the organization.

Ely (1995) has also suggested that expected behavior conformance of minority individuals to majority norms may have negative consequences. In her study of female law partners, Ely (1995) found that stereotypic behavior of women was particularly prevalent in organizations in which there were fewer female partners. Women in these organizations found it more necessary to conform to male expectations within their organizations (i.e., flirting with the boss), and to display more of what were considered 'masculine' traits, such as aggressiveness. Expected stereotypic behavior often resulted in women leaving their organization. Conversely, women reported feeling more comfortable in law firms which had greater numbers of female partners.

Some organizational attitudes toward differences are becoming more inclusive. At Exxon Baytown, special accommodations were made for an Asian woman whose culture dictated that she wait for silence before speaking. To ensure that she is able to contribute, her team members now provide her time to speak at the end of each group meeting (Sheridan, 1994). Her work team underwent extensive communications training under the supervision of an experienced team facilitator. Not only is she now able to contribute to her team, but she is also able to provide a reflective viewpoint of what transpired in each meeting. According to the Exxon Baytown plant manager, ". . . the result is that the company has a high-performing individual who is now a completely engaged team member . . . Taking care of all the people in a way that values them as individuals and values the special contributions that they make is integral to engaging all people as valued and contributing members of the business team (Sheridan, 1994, p. 24). Exxon's acceptance of difference is an attempt to overcome cross-cultural ignorance and cross-cultural inexperience (Barry and Bateman, 1996).

Since social identity theory (Tajfel and Turner, 1979) predicts that an individual's identity derives from memberships in cultural groups, honoring differences which result from group memberships and equitably rewarding employees for dissimilar contributions is important. Organizations which have committed to valuing the diversity, or uniqueness of its workforce, have not allowed dominant or traditional patterns to interfere with full participation in organizational processes. Instead of individual accommodation to the organization, what is beginning to take place is organizational accommodation to the individual. Utilizing multiple means to accomplish the same objective results in "Multiculturalism . . . [which] means one culture reflecting the mixture of diversity in an organization, rather than several minicultures reflecting the different elements in the mixture" (Thomas, 1992, p. 307).

Organizational outcomes and public recognition

Wright et al. (1995) examined the impact on corporate stock returns of OFCCP (Office of

Federal Compliance Programs) award winners vs. those sued for discrimination. Findings indicated that labor awards were positively associated with stock returns. In addition, a study by the EEOC of Standard and Poors 500 organizations found that companies ranked in the top fifth in terms of compliance with regulatory requirements enjoyed an average stock return of 18.3%, while organizations in the lower fifth experienced an average stock return of 7.9% ('Affirmative Action,' 1996). Another study by Covenant Investment Management noted that the 20% of companies rated highest for recruiting women and minorities outperformed the stock market by 2.4 percentage points from 1988 through 1992, while the worst 20% trailed by eight points ("Equal Opportunity," 1993).

The visionary stance of CEOs committed to diversity has manifested itself in award winning programs and in national recognition as diversity leaders. Xerox has received the OFCCP award for innovative efforts to increase employment opportunities for people of color, women, individuals with disabilities, disabled veterans, and veterans of the Vietnam era. In addition, Xerox is the first recipient of the Glass Ceiling Commission award, officially named the Perkins-Dole National Award for Diversity and Excellence in American Executive Management. The award was created under the Civil Rights Act of 1991 to recognize organizations that have shown a sustained commitment to diversity in the workplace and have made substantial progress in achieving that goal. Performance areas considered include: (1) demonstrated leadership and sustained commitment to diversity; (2) recruitment, selection, and retention of under represented groups; (3) employee development practices; and (4) successful diversity initiatives. Xerox (Houston) was a 1994 winner of the Glass Ceiling Award conferred by the Greater Houston Women's Foundation. In addition, Exxon Baytown was a winner of Industry Week's 1993 Plant of the Year Award, in large part for its efforts at valuing diversity. Although it is too early to assess long term benefits of these awards and honors, wide-spread positive public recognition will likely be associated with increased sales, and a perception that winners have obtained a source of competitive advantage (Pfeffer, 1995).

Ethical outcomes

"A Process of Ethical Decision making" (Carroll, 1989) and the "Ethical Decision Making Checklist" used by McDonnell Douglas (Murphy, 1988) both provide a consistent strategy that includes taking ethical principles (an ethics screen) into consideration. These decision making models provide ways to include diversity management in business decisions. For example, the process may include:

- Identifying facts relevant to the decision
- Assigning responsibility
- Articulating benefits, rights, and justice implications
- Analyzing available solutions
- Identifying the solutions that would do the most to maximize benefits, reduce harm, respect rights, and increase fairness
- Communicating to those involved
- Assuring that decisions will have the intended outcome
- Implementing the decision
- Evaluating whether the decision maximized benefits, reduced harm, respected rights, and treated all people fairly.

Both the corporate mission statement and code of ethics can be a valuable source for building an ethics screen. But management must make a conscious effort to use ethical decision making. Lip service will not bring about diversity management. Carroll (1990) points out that all the ethical principles in existence will not suffice if an individual decision maker is not interested in being ethical.

Future research directions

Popular literature, which is both non-empirical and speculative, comprises the vast amount of individual level diversity related information. There is thus a pressing need for empirical research that examines important individual level variables, such as withdrawal of minorities in monolithic, plural, and multicultural organizations. Resulting evidence may aid organizations in deciding whether diversity management is effective in influencing employee affective states and behavioral outcomes, as well as in reducing undesirable organizational consequences.

While the preponderance of diversity literature examines primarily women and/or people of color, management scholars have suggested that research of diversity's impact on majority members is also important. Tsui et al. (1992) and Milliken and Martins (1996) argue that diversity has a greater negative impact on whites than on people of color. However, *all* employees within a multicultural organization might perceive their work place more positively than those in monolithic, or plural organizations. Relatedly, white male backlash (Mobley and Payne, 1983) may not exist in organizations which proactively manage their diversity. For example, upon discovering that white males were under-represented at the entry salesperson level, Xerox adjusted recruiting so that a greater number of white males was hired. As Milliken and Martins (1996) suggest, the tendency of the dominant group to drive out diversity may abate if diversity is properly managed.

Entire organizations, as well as subunits within organizations, must be explored to learn more about pay and advancement inequity. For example, women in female-dominated professions (such as teaching and clerical) still earn less salary than men in comparable positions (Saltzman, 1991). Although subunits may be dominated by minority members, members of the dominant group at the organizational apex may exert pressure so that similar others in subunits are better compensated and more rapidly promoted. Kanter (1977) describes this phenomenon as 'homosocial reproduction,' or the tendency to recruit/advance others similar in appearance or background. We would expect homosocial reproduction within organizations which mismanage or provide lip service to diversity, but not from those which have made valuing differences a top priority. In an organization which effectively manages diversity, we would not expect demographic favoritism with regard to pay or advancement. Testing the following propositions across industries and companies of varying sizes could offer important insights. *Proposition 1: Promotions will be more frequent in monolithic and plural organizations for those demographically similar with top management. In multicultural organizations, promotions will be approximately equal for all demographic groups. Proposition 2: Pay inequity in minority-dominated subunits will exist between whites and minorities in monolithic and plural organizations, but not in multicultural organizations.* Regarding pay, we assume that no differences in performance exist, and that individuals in comparable positions with approximately equal education, work experience, and job knowledge are examined. In organizations in which political minorities are dominant throughout the organization, the above propositions may be invalid. For example, since political minorities have typically adjusted to dominant norms and value systems, biculturalism suggests that such an experience may act as a type of diversity education. Consequently, historically under represented individuals in dominant organizational positions may be more sensitive to those in the numerical minority.

The 1996 Catalyst report identified exclusion from informal networks of communication as one of three top factors contributing to women's lack of progress in attaining executive positions. Stereotype reduction (through diversity education) may actually increase the involvement of minority employees in social networks, since they be more readily included in informal social gatherings and functions. Although informal social integration has been recently examined by several social network scholars (Ibarra, 1992, 1993; Burt, 1992, 1995), none of these studies has examined social integration in the context of diversity management. Since diversity management has the potential to change organizational culture, greater social integration of minority employees might result. Field research conducted across organizational contexts could provide beneficial information about the effectiveness of diversity initiatives in problem diagnosis and in employee integration.

Unfortunately, much of the pro-diversity literature is heavy on rhetoric and light on empirical findings (Rynes and Rosen, 1995). Lack of empiricism has made it difficult for managers in the past to judge whether attention to diversity provides an actual competitive advantage. More fundamentally, academicians have not provided practitioners with a method to numerically assess diversity management within their organizations. A first step in conducting research on diversity management is development of measurement instruments to assess diversity acceptance. Armed with reliable and valid indices, researchers could then study interactions of demographic variables with important organizational outcomes across different organizational contexts. In order to project the significance of diversity management to top executives, future empirical testing which includes a measure of valuing differences is imperative. Modification of the instrument developed by Konrad and Linnehan (1995) (which measured the extent to which EEO/AA initiatives were present in organizations) with items from the extensive survey conducted by Morrison (1992), is a suggested step in this direction.

Examination of the above research agendas in a variety of organizations could provide essential information for practitioners and academicians alike. Additional research which specifically addresses diversity management is necessary to provide understanding of diversity interventions, and to provide information to the practitioner on the impact of diversity management.

Limitations and boundary conditions

Recipients of the OFCCP award have developed a multi-faceted affirmative action program directed toward the changing demographics of the labor force. Actions of recipients include (but are not limited to) involvement in community based projects that assist in the development of a diverse work force in the future. Wright et al. (1995) refer to these organizations as 'exemplary affirmative action.' As such, we acknowledge that organizations which have received the OFCCP award but have not attempted to change corporate culture may be closer to the 'plural' midpoint of the diversity continuum.

Empirical tests of the theoretical model presented in this paper could examine whether integration occurs equally for all minority groups. Preference for homophily suggests that those who most resemble the dominant group will be most easily accepted, and the 'double-whammy' effect (Nkomo and Cox, 1989) suggests that African-American women may be doubly disadvantaged in the workplace by their race and gender. However, our model suggests that no integration differences should exist for organizations which effectively manage their diversity. Between group examination in an inter-organizational comparison could shed light on whether integration differences exist in multicultural organizations. Exploration of observable diversity, as well as less visible attributes such as mental disability, education, socio-economic status, organizational tenure, functional speciality, values, personality, or birth order (Milliken and Martins, 1996), and combinations of observable and unobservable traits is also necessary.

Lastly, the model assumes that change is initiated from the top, and is only successful if supported by the CEO. The concept of organizational change has been discussed with regard to corporate cultural change (Dalton and Enz, 1987; Dalton and Enz, 1988). This literature suggests that in order to change employee behavior, a change in corporate philosophy and subsequent practice is needed. In other words, piece-meal attempts by individual supervisors or even departments may be ineffective, since policy changes may not continue past the manager or group leader in charge. Qualitative research could examine the success ratio of diversity efforts (and other organizational change efforts) initiated at the top versus those which originated from departments or divisions.

Conclusion

Management must have both an understanding and a commitment to including ethical principles in the decision making process. A clear view of these principles and how they relate to diversity management can facilitate appropriate and relevant diversity management decisions. In recent years, the U.S. Sentencing Guidelines provide a solid business reason for the development of company ethics programs by offering reduced fines to companies who come forward, state their problems and their solutions, and demonstrate an ongoing ethics (compliance) program. These guidelines have been a successful government initiative by providing companies with strong incentives. However, diversity management cannot depend solely on laws, since compliance represents only minimum acceptable standards of behavior. Ethical behavior focused on diversity management takes knowledge, commitment and work beyond the law.

By the year 2000, only 15% of the workforce's net increase will be white males (Johnston, 1987). Since some believe that many managers are unsure how to motivate demographically diverse work groups in light of their cultural differences, backgrounds, values, and assumptions (Jackson, 1992), the increasingly diverse workforce will likely require management styles that allow for integration into the organization. A service based economy requires employees who can successfully relate to customers in diverse markets, while an increasingly global marketplace necessitates cultural understanding on the part of vendors and customers alike. Organizations which do not make diversity a strategic objective may experience inability to sell in diverse markets, a tarnished organizational image as a result of discriminatory lawsuits, and ultimately, demise. The fact that the future labor force will be comprised primarily of minority members, combined with the fact that a future labor shortage is expected across all job categories (Jackson and Alvarez, 1992), makes valuing employee differences an even stronger organizational mandate. Given rapidly increasing workforce diversity, it is important for researchers to provide managers with a knowledge base from which to draw inferences on managing their diverse work forces. Continued study of diversity management, including tests of the current theory and propositions, is needed to assess the impact of diversity initiatives and to aid managers in their quest for organizational improvement.

Notes

[1] Although diversity encompasses a myriad of observable and non-observable traits, in this paper we focus on race and gender, since these attributes are most likely to engender negative stereotypes (Milliken and Martins, 1996).

[2] The term 'minority' in this paper denotes lack of numerical representation both in governmental and private organizations, as opposed to sheer numbers in the population. Specifically, in this paper we refer to women and people of color as minorities.

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Jacqueline A. Gilbert,
Management and Marketing Department,
Middle Tennessee State University,
College of Business,
Murfreesboro, Tennessee 37132.

Bette Ann Stead,
Department of Marketing,
College of Business Administration,
University of Houston,
Houston, TX 77204-6283.

John M. Ivancevich,
Department of Management,
College of Business Administration,
University of Houston,
Houston, TX 77204-6283.