Diversity Practices: What Are Corporations Really Doing These Days?

By

Richard S. Allen, Gail A. Dawson, Kathleen K. Wheatley, and Charles S. White

Peer reviewed

Richard S. Allen *is the UC Foundation Associate Professor of Management at the University of Tennessee at Chattanooga. He has published numerous articles on the strategic use of human resource practices and diversity. He also has extensive experience in internal and external consulting.*

Gail A. Dawson *is an Assistant Professor of Management at the University of Tennessee at Chattanooga. She has published articles in the areas of diversity and human resources.*

Kathleen K. Wheatley *is a UC Foundation Assistant Professor of Management at the University of Tennessee at Chattanooga. Her research interests focus on strategy implementation and innovation management.*

Charles S. White *is the Hart Professor of Management at the University of Tennessee at Chattanooga. He has been a faculty member for twenty-four years and teaches in the area of human resources and organizational behavior. He has authored or co-authored forty articles in the area of management.*

Abstract

A survey of 396 employees from a wide variety of companies conducted by the authors examined thirteen separate diversity practices. The results showed mixed results regarding the implementation of diversity initiatives. On the positive side, ninety-three percent of the companies reported a zero-tolerance level of workplace discrimination. Other diversity practices faired less well. Minority representation in managerial and senior management positions was perceived to be inadequate. In this article suggestions for diversity management are discussed.

_____

Diversity has increasingly become a "hot-button" issue in corporate, political, legal, and educational arenas. For example, just this past year sixty-five corporations joined the battle in supporting diversity in higher education as the Supreme Court considered racial diversity programs in Michigan University's entrance requirements for admission to the institution. While many organizations have embraced diversity, others still consider it merely an issue of compliance with legal requirements. Effective diversity management has historically been used to provide a legally defensible position against charges of discrimination; that is, a firm with a diverse workforce could argue in legal proceedings that they were not guilty of discrimination because of the prima facie case based on their workforce demographics representing the demographics of the local community.

In more recent years, the view of diversity has dramatically changed to a more strategic concept. Many business leaders now believe that diversity can have important bottom-line enhancing benefits. Although research in this area is limited, it appears that diversity can add value and contribute to gaining and maintaining a competitive advantage (Richard, 2000). Friday and Friday (2003) suggest that an organization's ability to create and effectively manage diversity determines the effect diversity has on the bottom-line.

Shifting demographics in the United States indicate that the consuming public is becoming increasingly diverse. Businesses are embracing the concept that they must have a more diverse workforce in order to more effectively understand and cater to the needs of the rapidly growing base of minority consumers (Koonce, 2001). Diversity in the workforce can be a competitive advantage because different viewpoints can facilitate unique and creative approaches to problem-solving, thereby increasing creativity and innovation, which in turn leads to better organizational performance (Cox, 1993).

1

Our purpose in conducting this study was to investigate the current state of diversity practice in the business world; that is, we wanted to see what is really being done inside of actual companies. Our objective was to investigate the degree of actual racial integration in the workplace in managerial as well as non-managerial positions and to formulate practical suggestions for a more effective diversity management program.

A literature review of the past several years revealed that while many articles have discussed the potential benefits of diversity, few have actually delved into the issue of exactly what types of practices that organizations are using to try to promote increased diversity. For example, Orenstein (2005) reports on a study of interviews of human resource executives conducted by the Financial Executives Research Foundation. They found that various factors are involved when executives make a business case for diversity. The four factors are (1) increasing revenue or gross margin, (2) enhancing compliance or reducing litigation risk, (3) enhancing corporate goodwill, and (4) when corporate leaders simply feel diversity is the "right thing to do".

The Executive Leadership Council's Institute for Leadership Development & Research conducted the 2004 Census of African Americans on Corporate Boards. Alleye (2005) reports 8.1 percent of the board members are African American in the 500 largest publicly traded American corporations. A similar study conducted by Fortune magazine (Hickman, Tkaczyk, Florian and Stemple; 2003) reports that people of color make up 19 percent of corporate boardrooms and 26 percent of management in the Fortune 1000 plus the 200 largest privately held companies.

Not since the groundbreaking 2003 National Urban League study "Diversity Practices That Work: The American Worker Speaks" (Fisher, 2004) has anyone surveyed American companies and workers regarding their use of diversity practices. Interestingly, this landmark study pointed out that just 32 percent of U.S. employees think that their companies were doing a decent job of hiring and promoting people other than white males. Fewer than half of the executives (47 percent) surveyed thought that their companies' diversity initiatives were effective.

Our main contribution is an up-to-the-date review of common diversity practices and their use in a sample of American companies. Executives may find this information useful as a comparison tool with their current practices. Moreover, the suggestions we provide for diversity management may prove helpful for some firms. These differing views on diversity result in a multitude of approaches and varying levels of commitment as evidenced by the number and types of programs an organization chooses to use in order to achieve human resource diversity.

So, what is really going on with diversity in the corporate world today? To investigate this question and better understand the types of diversity enhancing programs that companies use, we conducted a survey in which employees were interviewed and asked for information regarding their company's diversity practices and their personal views on the effectiveness of the diversity initiatives in their organizations. We developed a detailed questionnaire (see Appendix 1) that investigated many different aspects of workplace diversity. In addition, we asked them how adequately minorities were represented at various levels in the organization.

We began our research by mailing a pilot survey directly to a sample of 100 managers. Using this mailing approach we found that response rates were very low (6 percent). It seemed that managers were either too busy or reluctant to share this sort of sensitive information with us even when promised anonymity. As a result, we chose to directly approach managers and ask them to participate in the study. Using this technique, the response rate was much greater. It approached nearly 100 percent, as very few subjects declined to participate when personally approached. Researchers conducted structured interviews using the survey which can be seen in Appendix 1.

A total of 396 employees from companies ranging in size from five employees to organizations of over one million were included in the sample. At least two employees from each organization (one a white male and one minority) were interviewed to insure a more representative sample from each organization and in order to obtain the perspectives of both minority and non-minority employees. The median size of the companies we surveyed was 5,000 employees. The firms investigated included governmental agencies, insurance, health care providers, heavy manufacturing, and numerous other types of businesses.

The results of this survey regarding the diversity practices being used in these organizations is summarized in the following graph:
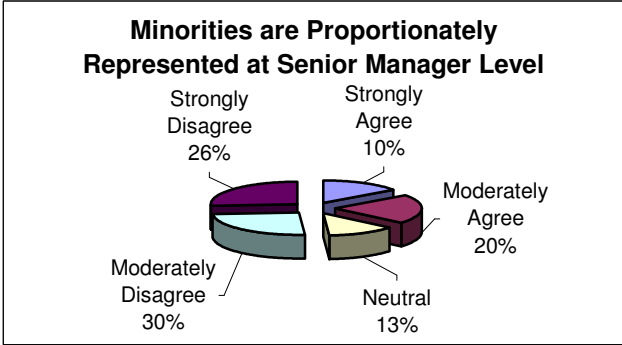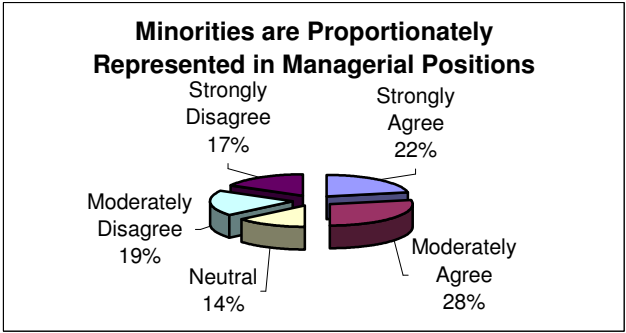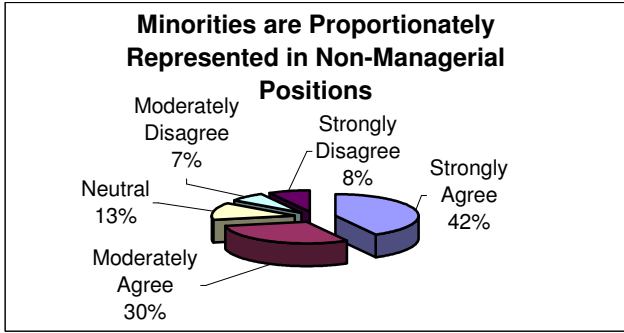
Diversity Practices Survey Results
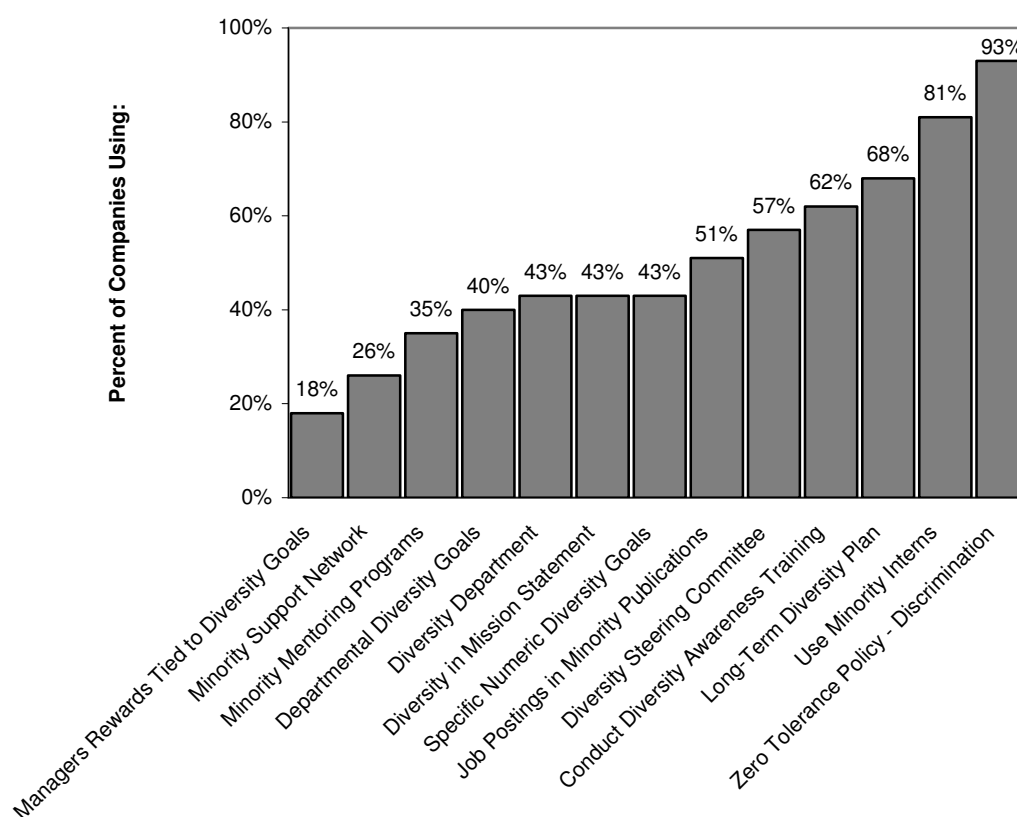
In analyzing our findings, we noticed some interesting results. Some aspects of diversity awareness and management were well represented in our sample. On the other hand, some areas of diversity management obviously need improvement. For example, almost all of the companies we surveyed reported that they recognized and attempted to comply with legal requirements regarding discrimination, with ninety-three percent of the respondents stating that their company has a zero-tolerance policy with regard to discrimination. In addition, many organizations also saw the need to view diversity as a strategic issue with sixty-eight percent reporting that their organizations had a long-term strategic plan to ensure that diversity was achieved and maintained throughout the company.

Clearly, many organizations treat diversity as an important strategic issue. For example, fifty-seven percent of the companies in our sample had steering committees that oversaw the company's diversity initiative. Additionally, most companies recognized that creating and managing diversity is not a simple task. We were impressed to find that forth-three percent reported having a diversity department within their company, and sixty-two percent reported they conduct diversity awareness training.

4

But there is certainly room for improvement in the development of the strategic approach of diversity. For example, just forty-three percent of the respondents reported that diversity was mentioned in the mission statement of their company. Only forty-three percent of the firms reported having specific numeric diversity goals, and only forty percent reported having departmental diversity goals. Just eighteen percent of the companies had gone as far as tying their managers' rewards or compensation to the achievement of diversity goals. These numbers will need to increase if diversity is to truly become a strategic imperative.

Many organizations are actively facilitating the hiring, development and retention of minority employees. Fully eighty-one percent of the firms used minority interns, co-ops, or student workers, which indicates that they are attempting to identify and cultivate relationships with young minorities that may become full-time employees and leaders in the near future. Most of the companies have acknowledged the need to take additional steps to increase the number of minority workers employed by intentionally targeting minority publications and trade journals (fifty-one percent) when advertising job openings. To address promotion and retention issues, thirty-five percent established minority mentoring programs, and twenty-six percent established internal support networks for minorities.

Even with all these diversity initiatives being implemented, disparity still exists between practices and the actual achievement of diversity at varying levels of management in the workforce (See the charts below.). We found that forth-two percent of those surveyed strongly agreed with the statement that minorities were proportionately represented at the non-managerial level in their organization; however, only twenty-two percent responded the same way for managerial positions. At the senior management level the disparity with minorities being proportionately represented was even more apparent. For the senior managerial level only ten percent of our respondents strongly agreed that minorities were proportionately represented in their companies while twenty-six percent strongly disagreed.

Minorities are Proportionately Represented in Non-Managerial Positions

- Strongly Agree 42%
- Moderately Agree 30%
- Neutral 13%
- Moderately Disagree 7%
- Strongly Disagree 8%

Minorities are Proportionately Represented in Managerial Positions

- Strongly Agree 22%
- Moderately Agree 28%
- Neutral 14%
- Moderately Disagree 19%
- Strongly Disagree 17%

Minorities are Proportionately Represented at Senior Manager Level

- Strongly Agree 10%
- Moderately Agree 20%
- Neutral 13%
- Moderately Disagree 30%
- Strongly Disagree 26%

Most managers agreed that when it comes to diversity, the proof is in the pudding; that is, the true implementation of diversity programs is reflected in the demographic make-up of the actual workforce employed by the organization. This distinction between diversity initiatives and outcomes is something that needs to be addressed by today's companies -- especially for upper level management. Implementing initiatives and including diversity statements in company literature is not enough to gain the competitive advantage that can come from diversity within corporate leadership. New and creative ways of increasing diversity should be the next focus for corporations and the human resources professional.

Given the significant use of many of the diversity practices contrasted with the fact that most of the companies still lag in minority representation at higher levels of the company, what else should companies be doing if they wish to gain the full potential of the strategic use of diversity?

Know where you stand:

The very first step in actually having a diverse workforce is knowing where you are at the moment. To accomplish this we recommend firms conduct a diversity audit. A systematic survey of your workers with regard to their current position, minority status, work experience, education, and personal goals are within easy reach.It has been our experience that companies will often think they are in complete compliance with diversity objectives due to the basic percentage of minority workers within their organization.Upon closer examination, however, they find themselves to be woefully deficient in the percentage of minority and

women managers, especially at upper levels.True diversity means the organization is fully integrated at upper and lower levels across the firm. Identifying problems of under-representation in the managerial ranks takes very little time and is often eye opening.

Identify, mentor and train:

The most accessible pool of minority members available to your firm is the group of minorities already working for you. A company-wide, systematic effort to identify all existing workers offers the firm an immediate supply of talented people. Assessing these workers will quickly and inexpensively determine their potential for promotion within the organization.

If the organization finds it is deficient in minority representation at upper levels of management, it can quickly identify existing high potential minority organization members and target them for the fast track. Although it is often hard for "out members" to learn the ropes that lead to promotion, they can be formally linked to an internal mentor who will show them the way. The mentor should also be tasked with determining the additional education and training needed for the candidate to be considered fully qualified for promotion. Training may occur within or outside of the company as determined by the needs of the individual.

Recruit and hire:

Recruiting often is done at the entry level since many organizations have a "promote from within" policy. Organizations finding themselves deficient in minority representation at upper levels may have to hire from outside sources in the short term to help correct this problem. There are abundant numbers of search firms that can assist in identifying qualified women and minority candidates for placement in upper level management positions. This is probably the true test of an organization's commitment to a diverse workforce; that is, those companies that are willing to actively place external hires in upper level management positions to insure a well represented managerial staff are "walking the walk" as well as "talking the talk."

Tapping the talent:

Assuming an organization has a critical mass of minority talent, the next critical step is to tap into their diverse points of view in order to gain all of the potential increases in creativity and market understanding. You must consider how your company might better enter and penetrate new markets that include minorities. Minority managers should be included in this strategic decision making process. Task teams that deal with increasing market share should include minority managers. It is also critical to insure the active participation of minorities in these deliberations. Some minorities may be reticent or lack the self-confidence to join

in these discussions. Senior managers and team leaders must do a good job of facilitating these meetings to insure that all members actively participate. Group process tools and techniques such as brainstorming should be used to insure balanced participation.

Create a culture of inclusion:

Organizations should also move beyond merely changing their demographic composition to one of focusing on creating an inclusive environment where diverse employees feel they belong, can make a contribution, and more importantly, create an environment where employees want to put forth their best effort. Too often organizations spend the time and effort recruiting and hiring minority employees but fail to make the necessary changes in the corporate culture to create a sense of belonging or inclusion. Lack of active participation by minority employees, may be due to a cultural environment where minorities do not feel fully included. When employees feel that they are a part of the organization, productivity, job satisfaction, and commitment increase and turnover decreases.

Cultural audits can be used to identify areas where improvements are necessary. Diversity training can help create an environment of inclusion. This training starts with building awareness of cultural differences and continues by acknowledging that different does not mean deficient. It is also necessary to train employees in interpersonal skills, such as cross-cultural communication to build awareness of the different verbal and non-verbal communication patterns, and conflict management. It may also be necessary to establish affinity groups or minority networks to eliminate feelings of isolation often experienced by minority employees. This aspect of diversity in organizations is an ongoing process that requires change to the organizational culture and a change in the behaviors, attitudes and beliefs of people within the organization. In addition, diversity has to be integrated throughout the organization instead of being viewed as the responsibility of one person or one department within the organization. While these changes will not come easily, they will make a significant impact on the organization and its employees.

In summary, our survey shows mixed results with regards to the strategic use of diversity management. We found many organizations are willing to engage in meaningful diversity practices such as setting goals and establishing diversity programs, but the perception was that minorities were still not well represented in managerial positions -- especially at higher levels in the organization. True diversity is measured in the people you have working for you as well as in the programs you have in place. In the long run, diversity is a strategic imperative that has the potential to be evidenced in increased market share and improved bottom-line results. Organizations are well advised to view diversity as a strategic imperative.

Appendix 1: Diversity Survey

For each question in this section please check either "Yes" or "No" based on your knowledge of the organization. Check "Don't Know" only in cases where you are really unsure.

	Yes	No	Don't Know
This organization conducts diversity awareness training.			
This organization has a diversity department.			
This organization has a steering committee comprised of top-level managers that oversees the organization's diversity initiatives.			
This organization has a long-term strategic plan designed to ensure that diversity is achieved and maintained throughout the organization.			
This organization's mission statement specifically mentions diversity achievement or maintenance as a goal.			
This organization has established a zero-tolerance policy with regards to discrimination.			
This organization has set specific numeric diversity goals.			
Managers in this organization have established diversity goals for their work unit or department.			
Job postings are advertised in diverse venues with the intention of targeting minorities and other underrepresented groups (i.e. minority magazines, trade journals & associations, outreach programs, youth organizations, etc.).			
This organization uses minority interns, co-ops or student workers.			
This organization has a mentoring program for minorities.			
This organization has established a support network for minority employees.			
This organization has established a telephone hotline that any employee can use to report discrimination incidents.			
Managers are rewarded based on achievement of diversity goals.			

Please circle one number on a scale of 1 – 5 that best approximates the extent to which you agree with each statement regarding your organization.

	Strongly Disagree	Moderately	Neutral	Moderately Agree	Strongly Agree
Minorities are proportionately represented among this organization's **senior** managers.	1	2	3	4	5
Minorities are proportionately represented in this organization's **managerial** positions.	1	2	3	4	5
Minorities are proportionately represented in this organization's **non-managerial** positions.	1	2	3	4	5

REFERENCES

Alleyne, S. (2005). "Count On This," *Black Enterprise*, Vol. 35, n. 11, p. 80.

Cox, T., Jr. (1993). *Cultural Diversity in Organizations: Theory, Research and Practice.* San Francisco: Berrett-Koehler.

Fisher, A. (2004). "How You Can Do Better On Diversity," *Fortune,* Vol. 150, n. 10, p. 60.

Friday, E. and S. S. Friday (2003). "Managing diversity using a strategic planned change approach," *Journal of Management Development*, Vol. 22, n. 10, pp. 863-880.

Hickman, J., Tkaczyk, C., Florian, E. and Stemple, J. (2003). "50 Best Companies for Minorities," *Fortune,* Vol. 148, n. 1, p. 103.

Koonce, R. (2001). "Redefining diversity: it's not just the right thing to do. It also makes good business sense," *Training and Development*, Vol. 12, n. 12, pp. 22-32.

Orenstein, E. G. (2005). "The Business Case for Diversity," *Financial Executive*, Vol. 21, n. 4, pp. 22-26.

Richard, O.C.(2000). "Racial diversity, business strategy, and firm performance: a resource-based view," *Academy of Management Journal*, Vol. 43, pp. 164-77.