

Diversity management

Capturing the diversity dividend

With one of the most culturally and ethnically diverse populations in the world, Australia, through its businesses, has the opportunity to capitalise on the many skills and talents that reside within its people. The Programme for the Practice of Diversity Management can help firms capture this diversity dividend.

The Programme for the Practice of Diversity Management assists firms to make the most of their diverse human resources and to capture the diversity dividend. The Programme is a collaboration between the Australian Centre for International Business at The University of Melbourne and the Department of Immigration and Multicultural Affairs. It has developed a compelling business case that clearly articulates the bottom-line benefits of diversity management.

At present, Australian firms undervalue the productive potential that resides within their diverse workforces. A 2000 study of 227 Australian CEOs by the Australian Centre for International Business revealed that few companies are capturing the diversity dividend. Top managers do not have a clear understanding of the importance of diversity management or the benefits that it brings both to individual employees and the firm as a whole.

Diversity comprises all the ways in which individuals differ, both on a personal basis and in terms of organisation-related characteristics (see Figure 1). Personal characteristics capture differences in age, gender, religion, sexual orientation, socioeconomic status, education, family status, physical and mental ability, values and beliefs. Organisational-related dimensions, along which employees differ include tenure, training and hierarchical position.

The diversity dividend is a product of effective diversity management. It comprises the benefits from:

- enhanced creativity and innovation
- advanced communication
- reduced workplace conflict
- lower absenteeism and turnover
- expanded global opportunities
- superior teamwork skills
- improved business-to-business (B2B) relations
- quality customer service.

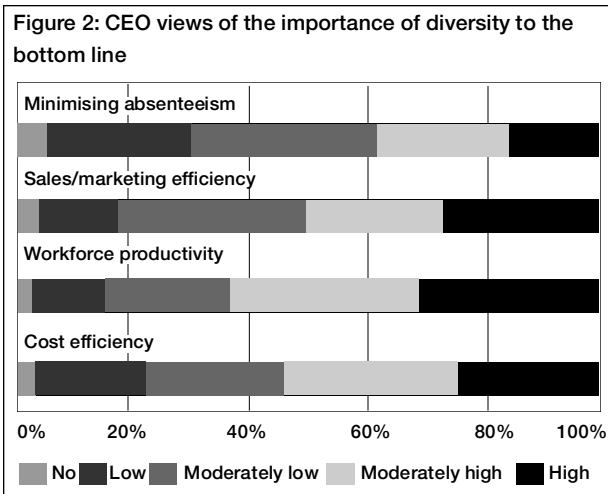
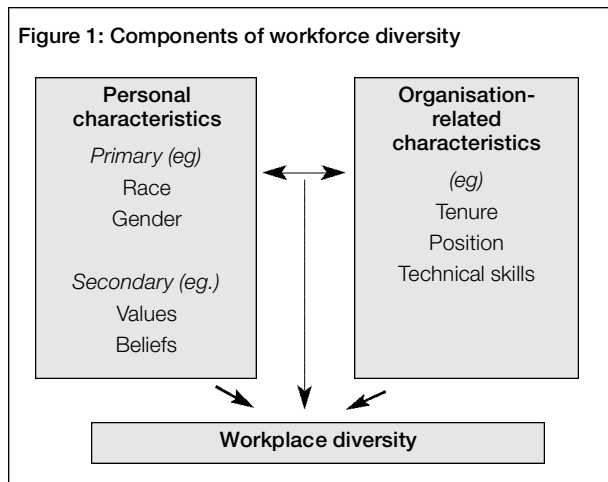
The business case for diversity management demonstrates how firms can develop the capabilities to capture these benefits, improving the bottom line. Workforce diversity brings a wide array of values, skills, life experience and perspectives to the Australian workplace. With increasing pressure on Australian firms to compete in global markets, serving an increasingly diverse pool of buyers and customers, diversity management is becoming an imperative.

Effective diversity management facilitates firms in developing cross-cultural capabilities for operating in culturally complex domestic and international environments. Diverse firms with sound diversity management practices leverage the cultural and language skills of their employees. The cross-cultural capabilities that reside within such individuals make them superior candidates for building international business relations, negotiating new ventures and managing international workforces.

Research has shown that well-managed diverse teams outperform homogeneous teams. The myriad perspectives that diversity brings to a group precipitates high levels of creativity and innovation and superior problem-solving and decision-making. Diversity management is a crucial factor in the development of 'knowledge firms'.

Firms with sound diversity management practices stand to gain a competitive 'edge' in the labour market by becoming 'employers of first choice'. Companies that establish reputations for respecting and valuing all employees, no matter what their differences, attract the most dynamic and talented staff. They ensure that they are attractive places to work for the *best and brightest* job applicants.

The existence of a diverse workforce, on its own, is not sufficient to ensure a diversity dividend. Left unmanaged, diversity can create significant workplace problems. Differences between individuals often lead to interpersonal conflict as differences in opinions, perspectives and values become apparent. Such conflict is exacerbated by the tendency of people to



be attracted to others who they perceive as similar to themselves, leading to factionalism or 'in' and 'out' groups in the workplace.

The effects of interpersonal conflict on performance can be heightened in firms that have adopted team-based structures, because of the increased frequency of interaction and high levels of interdependence among team members.

Adversarial interpersonal relations damage firm performance by prohibiting co-operation and lowering job satisfaction. Low job satisfaction is linked to high levels of voluntary absenteeism and turnover, costing Australian firms millions of dollars annually.

Managing diversity is an imperative for Australian business. Australian demographics have shifted so that it is becoming increasingly impossible to employ a homogeneous workforce. Almost 4.4 million Australian residents are overseas-born, 3.5 million residents are second-generation Australians, and 2.5 million Australians speak a language other than English at home.

Australia's multicultural population must be reflected in its workforce. Diversity management strategies allow firms

to tap the productive potential of their diverse workforces. Managed well, diversity enables firms to become more productive by improving job satisfaction, lowering absenteeism and turnover, reducing workplace conflict and establishing advanced teamwork skills.

Research by the Australian Centre for International Business reveals that most Australian firms lack diversity capabilities to capture the diversity dividend. Few firms have established diversity management practices. Only 27 per cent provide diversity training and only 12 per cent have a diversity officer. Figure 2 demonstrates that Australian CEOs do not recognise the bottom-line benefits of diversity management, with only 14 per cent recognising it as of high importance for minimising absenteeism and 31 per cent identifying it as of low or no benefit.

The Programme for the Practice of Diversity Management is devising materials to assist firms to manage workforce diversity and capture the diversity dividend. Business models that outline the business case for diversity management as it relates to specific business functions, such as teamwork skills, basic HR functions, and global expansion, are available to all firms.

Matching toolkits for diversity management, which detail *key steps* to build strategies for addressing diversity challenges and opportunities, are also freely available. These materials are produced in co-operation with our business partners, which include some of Australia's largest companies.

The Programme's business partners are:

- AMP
- Rio Tinto
- Drake International
- Siemens
- Holden
- Bovis Lend Lease
- Coca-Cola Amatil
- Shell
- Hewlett Packard
- Westpac
- NAB
- SBS
- Ford
- Telstra
- IBM.

All-Australian firms are invited to join the Programme's free electronic Diversity-Network. The Diversity-Network connects business, government and universities, providing members with a regular diversity newsletter to update latest developments and best practice in diversity management.

Authors Karen Lau, Janine O'Flynn, André Sammartino, Professor Stephen Nicholas and Lisa Selalmtzidis are members of the Australian Centre for International Business at the University of Melbourne.

Firms can join the Diversity-Network at Diversity-Network@unimelb.edu.au or contact:
 Australian Centre for International Business
 University of Melbourne
 Parkville Victoria 3010
 Phone +61 3 8344 5340
 Fax +61 3 9347 3770
 Email acib@ecomfac.unimelb.edu.au
<http://www.ecom.unimelb.edu.au/acib/diverse>