



ENGAGING SENIOR MANAGERS: A BUSINESS MODEL FOR DIVERSITY MANAGEMENT

Programme for the Practice of Diversity Management

Department of Immigration and Multicultural and Indigenous Affairs in
Cooperation with the Australian Centre for International Business

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Foreword

The Programme for the Practice of Diversity Management has developed a range of diversity management resources. This Business Model addresses the imperative for engaging senior managers in diversity initiatives. A complementary Toolkit addresses the implementation of strategies to engage senior managers.

Resources for Diversity Management

The Business Case:

HRM Case

Knowledge Firm Case

International Business Case

Marketing Case

Theory of Diversity and Group Performance

Business Models:

Diversity Management: The Big Picture

Capturing the Diversity Dividend

Engaging Senior Managers

From Compliance to Strategy

Managing Diverse Human Resources Effectively

Adding Value Through HRM

The Innovation and Learning Advantage from
Diversity

Managing Diverse Teams

Going Global

Expatriate Management

Toolkits:

Attract, Retain and Motivate

Adding Value Through HRM

Effective Management of Diverse Teams

Innovation and Learning

Using Diversity Climate Surveys

Building Cross-Cultural Capabilities

Keys to Expatriate Success

Engaging Senior Managers

PROGRAMME FOR THE PRACTICE OF DIVERSITY MANAGEMENT

The Programme for the Practice of Diversity Management is a collaborative arrangement between the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) and the Australian Centre for International Business (ACIB) funded through DIMIA's Productive Diversity Partnership Programme.

The mission of the Programme for the Practice of Diversity Management is to meet the practical needs of business by developing a business case for productive diversity, providing business models for diversity management, and creating toolkits and checklists for assessing diversity. The Programme invites your firm to become a member of the electronic Diversity-Network, which brings Australian business together to promote good diversity practices.

Join the diversity network on-line at <http://www.ecom.unimelb.edu.au/acib/diverse>

Executive Summary

The Business Case For Engaging Senior Management

This Business Model argues that the engagement of senior management and CEOs is critical to the success of diversity management initiatives.

The Dimensions of Diversity

Diversity refers to all the ways in which people differ.

What is Diversity Management?

Diversity management is a tool for capturing the diversity dividend. It involves managing difference within an organisation's workforce to capitalise on opportunities that come with a diversity of ideas and perspectives and to minimise unproductive conflict.

Diversity Is A Missed Opportunity For Australian Business

A 2000 study by the Australian Centre for International Business found that most Australian CEOs do not recognise the importance of diversity management and most organisations do not have diversity management policies or practices.

The Need For A Strategic Approach To Diversity Management

Widespread senior support for diversity management transforms it into a strategic issue.

Developing Diversity Capabilities

A strategic approach to diversity management is crucial for the development of diversity management capabilities.

Senior Managers As Cultural Change Agents

Cultural shifts are difficult to execute and require strong leadership. Cultural shifts need a clearly articulated vision from the CEO and top management team.

Access To Resources

The engagement of senior management is critical for securing resources for diversity initiatives.

Senior Managers As Role Models

Senior managers need to be seen to be actively participating in diversity management initiatives.

Senior Managers As Mentors

Without the engagement of senior management in mentoring programmes, there is restricted scope for greater diversity to reach the upper echelons of the organisation.

Establishing Diverse Top Management Teams

There are clear benefits from establishing diverse teams of senior managers. Realisation of these benefits mandate senior managers' engagement with diversity initiatives.

Ensuring Accountability

Engaging senior managers ensures that individuals are made accountable for diversity management.

What Will Grab Senior Managers?

Those seeking to engage senior managers in diversity management need to effectively frame and target the issues at stake.

Key Steps For Engaging Senior Managers

Four *key steps* for engaging senior managers are outlined over the page. These key steps are detailed in *Engaging Senior Managers: A Toolkit For Diversity Management*.

The Business Case Restated

The engagement of senior management is crucial for effective diversity initiatives.

Key Steps for Engaging Senior Managers

Step one: define diversity

- Review existing definition of workforce diversity
- Devise a workable definition of diversity and diversity management that suits the needs of the organisation.

Step two: develop a business case for diversity management

- Identify the organisation's strategic goals
- Establish the potential benefits of diversity management for the organisation in the areas of HR efficiency and productivity; knowledge and learning; international expansion; and improving access to consumer markets.
- Investigate existing costs of poor or non-existent diversity management.
- Investigate areas of diversity management where the organisation presently performs well.
- Investigate the diversity management initiatives of the organisation's competitors.
- Investigate the diversity of the labour markets from which the organisation recruits.
- Investigate the diversity of the organisation's customers.
- Investigate opportunities for becoming an employer of choice.
- Compile diversity management business case research into a cohesive document

Step three: sell diversity to senior management

- Compile the information gathered to establish the organisation's business case for diversity management into a formal report for senior managers.
- Ensure that the report is relevant to the strategic goals of the organisation.
- Arrange a formal presentation of the report to the CEO and board or top management team, linking diversity to the organisation's strategic direction
- Seek feedback on the presentation and report.

Step four: engage senior managers

- Call for diversity champions amongst senior managers.
- Form a diversity working group (preferably including the CEO).
- Establish senior management commitment to mentor programmes.
- Establish diversity management performance measures for senior managers to provide incentives for proactive diversity management..
- Seek publicity for the organisation's initiatives that incorporate senior managers.

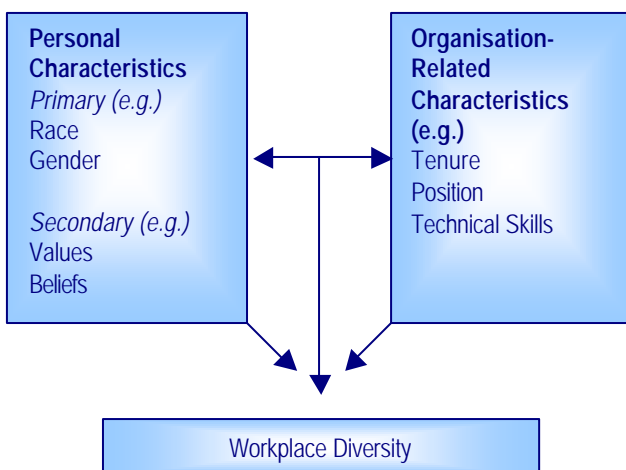
The Business Case For Engaging Senior Management

This Business Model argues that the engagement of senior management and CEOs is critical to the success of diversity management initiatives. Diversity management should reach all members of the organisation across all functional and hierarchical levels. Senior managers play a crucial role as diversity champions, sending a message to the rest of the organisation about diversity and its importance. Support from senior managers is also vital for securing financial resources to devise and implement new diversity management practices.

The Dimensions of Diversity

Diversity refers to all the ways in which people differ. In a workplace context, individuals differ from others both in terms of *personal characteristics* such as ethnicity, gender and *organisation-related characteristics* such as tenure or hierarchical position. Personal characteristics can be further broken down into primary and secondary characteristics providing three main components of workplace diversity. The complex interaction of these factors is represented in Figure 1.

Figure 1: Components of Workplace Diversity



What is Diversity Management?

Diversity management is a tool for capturing the diversity dividend. Diversity management focuses on managing the difference within an organisation's workforce, capitalising on the benefits of diversity and minimising workplace challenges.

Diversity management contributes significantly to the bottom line. The four main ways diversity management produces the diversity dividend are:

- Improving in the efficiency of HRM functions
- Fostering superior decision-making, problem-solving, creativity, and innovation; key factors in the creation of knowledge firms
- Developing cross-cultural capabilities that facilitate operations in culturally complex environments at home and abroad
- Implementing new product/service developments and new sales/marketing strategies for diverse customer bases

There are two distinct but connected channels in diversity management, which will lead to superior firm performance. The *first channel* focuses on how to tap into the benefits that flow from effectively managing diversity. The *second channel* focuses on corrective strategies to address ineffective diversity management, which imposes costs.

Effective diversity management leads to improved individual and organisational performance. This is due to the powerful effects of diversity on problem solving, decision-making, innovation and creativity. However, having a diverse workforce does **not**, in itself, translate into bottom line benefits for organisations. Diversity must be managed in order for organisations to reap a diversity dividend. Organisations

must commit to effectively managing diversity to ensure that the unique skills, perspectives and knowledge of their workforces are channelled into producing a diversity dividend.

Diversity Is A Missed Opportunity For Australian Business

A 2000 study by the Australian Centre for International Business found that most Australian CEOs do not recognise the importance of diversity management and most organisations do not have diversity management policies or practices. The study found that only 33 percent of organisations have documented diversity policies and even fewer actively implemented these policies. Figure 2 shows that only 28 to 32 percent of organisations ranked diversity management as of high importance for overall cost efficiency, workforce productivity and sales/marketing efficiency, while only 14 percent of organisations ranked diversity management as of high importance for minimising absenteeism.

CEOs' lack of recognition of the bottom-line benefits of diversity management demonstrates the need for a clearly articulated business case for diversity management. Raising awareness of the value to the organisation of diversity management is the first crucial step in mobilising support for new initiatives. A business case for diversity management is presented in the Programme for the Practice of Diversity Management's *Diversity Management: The Big Picture*.

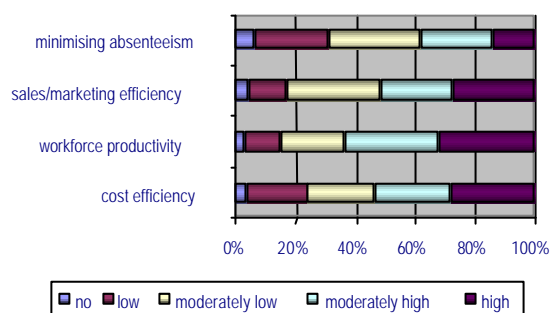
The Need For A Strategic Approach To Diversity Management

While an organisation's human resources department can play a pivotal role in getting diversity onto the agenda, the diversity issue should not be left to HR alone. Where

there are people, there is human diversity. It is an issue not only for human resource managers, but for everyone. Mobilising support from the CEO and senior managers across functional areas will prevent the sidelining of diversity management as a narrow functional HR issue.

Widespread senior support for diversity management transforms it into a strategic issue. An initiative spearheaded by senior managers across functional areas is more likely to receive widespread support than an initiative perceived as *belonging* to a single functional department. By engaging senior managers, diversity management shifts in positioning from a peripheral issue to a core strategic issue. Senior managers have the authority to turn the rhetoric of valuing diversity into a reality.

Figure 2. CEO views of the importance of diversity to bottom line



Developing Diversity Capabilities

A strategic approach to diversity management is crucial for the development of diversity capabilities. Diversity capabilities encompass competencies in managing difference and harnessing the diversity dividend. Such capabilities emerge from specific initiatives devised to leverage aspects of workforce diversity as well as from an organisational culture that values diversity.

Senior Managers As Cultural Change Agents

Implementing diversity management may require shifts in organisational culture. Diversity management requires a climate in which difference is valued; one in which employees are accustomed to working with people from many different backgrounds. It requires the organisation to move beyond the mandates of equal employment opportunity (EEO) compliance regulations to a strategic cultural shift where workforce diversity becomes a source of value, rather than a source of potential EEO discrimination complaints.

Cultural shifts are difficult to execute and require strong leadership. Cultural shifts need a clearly articulated vision from the CEO and top management team. This vision can then be disseminated throughout the organisation and implemented at functional levels.

Without a clearly articulated cultural change vision from senior management, the chances of implementing cohesive diversity management policies and practices are severely restricted. Lack of strategic vision causes fragmentation and confusion over new initiatives. Cultural vision articulated by senior management gives direction to diversity management imperatives

Access To Resources

The engagement of senior management is critical for securing resources for diversity initiatives. Diversity audits, training, policy development and implementation require financial and managerial support. Diversity management initiatives must be allocated a budget and senior managers need to contribute their time to ensure success. An under-resourced strategic initiative has little chance of success.

Senior Managers As Role Models

Effective diversity management requires senior managers to act as role models. Senior managers need to be seen to be actively participating in diversity management initiatives. Organisations that want to establish a culture of valuing diversity need to ensure that diversity is important at *all* levels of the organisation's hierarchy.

Work/life balance policies, such as flexible work arrangements and special leave will be more effective if senior managers are seen to use them. For example, a CEO or senior executive who takes maternity or paternity leave sends important signals to the rest of the organisation. The message is that senior management supports work/life balance policies and recognises their value. Through such examples, employees throughout the organisation will understand that taking such options will not harm their career prospects. Senior managers' actions can overcome existing informal cultural norms that may make employees feel restricted in taking advantage of diversity management initiatives.

The involvement of senior managers in the creation and implementation of diversity initiatives, such as diversity training modules, provides such initiatives with widespread credibility. Managers who actively participate in the launch of such initiatives and spend time undergoing diversity training act as role models in emphasising the importance to the firm of diversity management.

Senior Managers As Mentors

An important component of diversity management is the mentoring of individuals whose capabilities have traditionally been overlooked. Senior managers who are engaged with diversity initiatives can facilitate the development of capabilities

and work experience within employees who may once have been overlooked for promotion. Mentoring programmes also provide the opportunity for senior managers to learn from their protégés who may bring different experiences and styles to their work.

Without the engagement of senior management in mentoring programmes, there is restricted scope for greater diversity to reach the upper echelons of the organisation.

Establishing Diverse Top Management Teams

Failure to engage senior management in diversity initiatives restricts the organisation's ability to establish diverse top management teams. Diverse top management teams provide organisations with distinct performance advantages. Unless senior managers are engaged with diversity issues, there is little scope to leverage such advantages.

Diverse top management teams have advantages over homogeneous teams. Research has demonstrated that diverse teams are more creative and innovative problem solvers than their homogeneous counterparts. Diverse teams bring a greater array of perspectives to problems, allowing for improved scope for superior decision-making outcomes. Such teams have strong capabilities for devising sound business strategies.

The process of information sharing between individuals with diverse perspectives and experiences can generate new knowledge. It can foster *creative abrasion*, a type of constructive conflict whereby ideas are challenged productively to produce superior outcomes. Such a process can overcome *groupthink* problems that can emerge in homogeneous teams.

Diverse top management teams hold a wider body of knowledge than their homogenous counterparts. Ethnically and linguistically diverse top management teams may possess cross-cultural capabilities that are useful for determining globalisation strategies. Top management teams that are demographically diverse may hold strong capabilities for customer relations and marketing.

Diversity at senior management level sends an important message to employees. Employees recognise that diversity management policies apply consistently throughout the organisation, giving such policies enhanced recognition and credibility. Those employees who may belong to groups that were once marginalised, will see that diversity management happens in practice and is not just in rhetoric.

Diverse top management teams derive advantages from reflecting the diversity of their employment recruitment bases. As Australian labour markets become increasingly diverse, Australian business can no longer recruit relatively homogenous groups of employees if they want to employ the *best and brightest* job candidates. Increasingly, high potential job applicants come from a wide range of demographic and experiential backgrounds. Such candidates will be attracted to the organisations where they perceive they will have the greatest career potential. A diverse top management team demonstrates to job applicants that workforce diversity is valued by the organisation.

Diversity at senior management level also sends important signals to customers. With significant diversity amongst Australian customers, organisations and their senior managers need to reflect their customer base. Organisations that do not reflect their customer base may find that their customers go elsewhere.

Diverse top management teams do not emerge spontaneously. Indeed, the establishment of diversity at executive and board level can take considerable time. However, diversity in senior positions is unlikely to occur of its own accord. Proactive steps must be taken to ensure that boards and executive teams seek members from traditionally under-represented backgrounds and that the senior management 'pipeline' pool is diverse.

The benefits of diverse top management teams do not flow automatically. Senior managers need to build the necessary skills to operate within an environment of *creative abrasion*. They require diversity management training to ensure that conflict is constructive and task based rather than personal.

Unless senior management is engaged with diversity initiatives there is little scope for the potential to leverage the benefits of diverse top management teams.

Ensuring Accountability

Engaging senior managers ensures that individuals are made accountable for diversity management. Diversity management requires standards according to which performance is measured. Without senior support for diversity management, there is no clear authority to ensure that diversity standards are met.

Senior management appraisal of lower level managers should encompass diversity performance measures. Such measures ensure that diversity management is prioritised within the organisation. They ensure that lower level managers actively participate in diversity management initiatives. Equally, diversity measures should be integrated into the performance appraisal of senior managers.

Engaging senior management in diversity initiatives, maximises accountability for diversity management in practice. Such accountability is vital for the success of bottom-line diversity benefits.

What Will Grab Senior Managers?

Diversity management is one of many initiatives in which senior managers may be petitioned to play a pivotal role. Consequently, *grabbing* the attention of senior managers may not be easy. Those seeking to engage senior managers in diversity management need to effectively frame and target the issues at stake. They should appeal to both managers' *hearts* and *heads*.

Appealing to managers' *hearts* constitutes an appeal to their sense of justice. Such an appeal entails the idea that existing organisational practices and cultures that undervalue the contributions of certain demographic groups are unfair. It is an appeal to a set of ethics, which determine that the social good and greater equity that stems from diversity management make it '*the right thing to do*'.

Appealing to managers' *heads* entails an appeal to their business acumen. It requires the establishment of a compelling business case for diversity management. Such an appeal should clearly identify how diversity management is a strategic issue; one that has a clear and significant impact on the organisation's bottom line. It should articulate how poor or non-existent diversity management imposes organisational costs, such as low job satisfaction, low organisational commitment, impaired productivity, and discrimination and harassment complaints. It should also articulate the potential gains from sound diversity management, such as enhanced problem solving, decision-making and innovation. An appeal to the *heads* of senior managers should align diversity

management to the specific strategic goals of the organisation.

Key Steps For Engaging Senior Managers

The *key steps*, outlined below, can be addressed with coherent policies and practices to engage senior managers in diversity management. These *key steps* are explained in detail in the Programme for the Practice of Diversity Management's *Engaging Senior Managers: A Toolkit for Diversity Management*.

Step one: define diversity

A clear and workable definition of diversity management is the first step to ensure a coherent approach to engaging senior managers.

Key steps:

- Review existing definitions of workforce diversity
- Devise a workable definition that suits the needs of the organisation.

Step two: develop a business case for diversity management

The establishment of a business case for diversity management is important to convince senior managers, board members and CEOs of the business imperative for leveraging diversity. A compelling business case will demonstrate that diversity is not only the right thing to do; it also produces bottom line returns.

Key steps:

- Identify the organisation's strategic goals
- Establish the potential benefits of diversity management for the organisation in the areas of HR efficiency and productivity; knowledge and learning; international expansion;

and improving access to consumer markets.

- Investigate existing costs of poor or non-existent diversity management.
- Investigate areas of diversity management where the organisation presently performs well.
- Investigate the diversity management initiatives of the organisation's competitors.
- Investigate the diversity of the labour markets from which the organisation recruits.
- Investigate the diversity of the organisation's customers.
- Investigate opportunities for becoming an employer of choice.
- Compile diversity management business case research into a cohesive document

Step three: 'sell' diversity to senior management

Senior managers may need to be convinced that diversity management will be good for the organisation. The organisation's business case for diversity management should make a useful starting point in the *selling* effort. Only once senior managers are convinced of the value of diversity, will they strongly engage with diversity initiatives.

Key steps

- Compile the information gathered to establish the organisation's business case for diversity management into a formal report for senior managers.
- Ensure that the report is relevant to the strategic goals of the organisation.
- Arrange a formal presentation of the report to the CEO and board or top management team, linking diversity to the organisation's strategic direction
- Seek feedback on the presentation and report.

Step four: engaging senior managers

Once the imperative for diversity management has been accepted, the next step is to engage senior management in ongoing policy formation and initiatives. Ongoing engagement is crucial to prevent diversity management from becoming a fad.

Key steps

- Call for diversity champions amongst senior managers
- Form a diversity working group (preferably including the CEO) to devise diversity strategy and monitor the progress of initiatives
- Establish senior management commitment to mentor programmes
- Establish diversity management performance measures for senior managers to provide incentives for proactive diversity management.
- Seek publicity for the organisation's initiatives that incorporates senior managers

The Business Case Restated

The engagement of senior management is crucial for effective diversity initiatives. Senior managers play an important role in making diversity management a core strategic issue. They are crucial for providing leadership as well as resources to maintain commitment to diversity management. Only with senior management support can organisations leverage the maximum potential from their human capital.