



## **FROM COMPLIANCE TO STRATEGY: 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 resources for Australian business. This business model focuses on the differences between legislative compliance and strategic diversity management approaches, by assisting managers to identify synergies and future directions to build diversity capabilities.

### 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

### 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>

approach to diversity management. This model focuses on building on the existing compliance culture, to develop a strategic approach.

### **The Business Case for Diversity Management**

Diversity management enhances organisational performance encompassing cost management, and value adding streams. Diversity management allows organisations to leverage the skills of their people to produce a diversity dividend and create bottom line benefits.

### **Missed Opportunities: The Mind of the CEO**

The ACIB CEO survey demonstrated that Australian organisations are more compliance focussed than strategic when considering workplace diversity. The survey highlighted the high level of compliance, but low level of strategic diversity management. However, Australian organisations have a strong foundation upon which to build strategic diversity approaches.

### **What is Workplace Diversity?**

The concept of 'diversity' captures the ways in which individuals differ. Workplace diversity encompasses both personal characteristics and organisation-related characteristics.

### **Compliance: What Are Organisations Already Doing?**

Australian organisations are subject to a plethora of legislation governing the workplace. Accordingly, organisations have policies, procedures and systems in place to ensure compliance. There are synergies between legislative intentions and those of diversity

management. Using compliance strategies as a foundation, organisations can seek to shift to a more strategic approach to diversity management.

### **Strategic Diversity Management: Building on Compliance**

Strategic diversity management requires a cultural shift in Australian organisations. The key to successful diversity management is its integration with the organisations business strategies, and the linking of diversity policies and procedures with strategic goals. Diversity management requires top management support and ownership, rather than a functional focus.

### **Building Diversity Capabilities**

Building on what the organisation already does allows organisations to develop diversity capabilities. These capabilities emerge as organisations learn how to harness difference to improve the bottom line. The development of such capabilities requires a strategic approach, so that organisations can aim to convert these to capabilities and the basis for competitive advantages.

### **Action Areas**

This model sets out seven action areas. Attention to these areas will assist organisations to shift from a compliance focus, to a strategic diversity management approach. Each action area sets out a series of associated key steps to assist in the development of a strategic diversity management programme. Figure 1 sets out the actions areas set out in this Business Model.

Figure 1: Key Steps in Action Areas

**Action Area: Top Management**

- Raise awareness of the 'business case' for diversity management
- Position diversity management as a strategic issue
- Top management should champion diversity management initiatives

**Action Area: Auditing**

***Diversity Audit***

- Survey staff
- Analyse staff data
- Build a diversity profile of the organisation

***Organisational culture audit***

- Establish representative diversity taskforce
- Investigate current processes, culture, policies and practices
- Assist in developing the diversity vision

**Action Area: Strategic Stocktake**

- Conduct a 'stocktake' of what diversity-related policies and procedures the organisation has in place
- Determine what new strategies, policies and procedures are required
- Conduct a 'stocktake' of what diversity-related information is collected by the organisation
- Determine what information is required by the organisation to effectively move to a strategic diversity management model

**Action Area: Identifying Existing and Potential Synergies**

- Consider how factoring in diversity management strategies can improve existing business strategies
- Consider how diversity strategies can form the basis for, or complement future strategies

**Action Area: Diversity Vision**

- Senior management to develop diversity vision
- Senior management to set out diversity strategies
- Senior management to articulate desired organisational culture

**Action Area: Strategic Goal Setting**

- Clarify the diversity vision
- Set diversity goals
- Link diversity goals with strategic goals of the organisation

**Action Area: Training and Education**

- Invest in diversity training at all levels of the organisation
- Tailor training to specific needs of the recipients
- Build a common understanding of benefits and challenges while emphasising common goals
- Communicate the value in diversity message via various channels
- Link training to strategic objectives
- Use the business case for diversity management as the foundation for education and training

## Introduction

To produce a diversity dividend, organisations need to move from compliance to a strategic approach to diversity management. This business model focuses on how organisations can build on their established compliance activities to develop a strategic level diversity management approach. This model assists managers in identifying existing, and potential, synergies useful in building diversity capabilities.

## The Business Case for Diversity Management

Diversity management is a tool for enhancing individual and organisation performance. Diversity management encompasses two major streams: addressing the costs associated with poor or non-existent diversity management, and adding value through strategies that leverage diversity to improve the bottom line.

Diversity management allows organisations to build diversity capabilities. These capabilities allow them to perform better in a number of areas:

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

Managing diversity effectively allows organisations to produce a diversity dividend and improve the bottom line.

### Missed Opportunities: The Mind of the CEO

In 2000, the ACIB undertook a survey of Australian CEOs to gauge their attitudes toward and awareness of productive diversity management, its importance to organisation performance, and long-term strategies. Eighty per cent of the 227 respondents were CEOs providing detailed insight into diversity management across Australian business.

There were a number of important findings that indicate Australian organisations are more compliance focussed than strategic when considering workplace diversity. The survey demonstrated the high levels of compliance in Australian business in relation to EEO and OH&S, compared with relatively low levels of documented diversity policies and practices.

### Figure 2: Documented Policies and Procedures

Figure 2 shows that a compliance culture dominates the policies and procedures of Australian organisations, however there is

Of 227 Australian firms

- 95 percent had a documented Occupational Health and Safety (OH&S) policy
- 83 percent had a documented Equal Employment Opportunity (EEO) policy
- **Only** 33 percent had a documented diversity policy
- **Only** 14 percent has a documented Aboriginal employment policy
- 85 percent had OH&S officers
- 49 percent had EEO officers
- **Only** 12 percent had diversity officers
- **Only** 12 percent has Aboriginal employment officers

some evidence that Australian organisations are adopting more strategic approaches to diversity management.

The survey also showed that Australian organisations are not collecting the most basic diversity-related information within the organisation (see Figure 3). From this position it is difficult to build capabilities and competencies. Unless organisations have relevant diversity information and workforce data, they do not have the ability to identify assets, resources and capabilities.

Australian organisations have the foundations upon which to build strong strategic diversity management approaches. These foundations are embedded in the commitment to compliance that Australian organisations have demonstrated. From this starting point, organisations can build more strategic approaches to the management of workplace diversity.

### Figure 3: Data Collection

Of 227 Australian firms

- 73 percent collected no data on the ethnic backgrounds of their employees
- 60 percent collected no data on the language skills of their employees
- 35 percent collected no data on the age of their employees

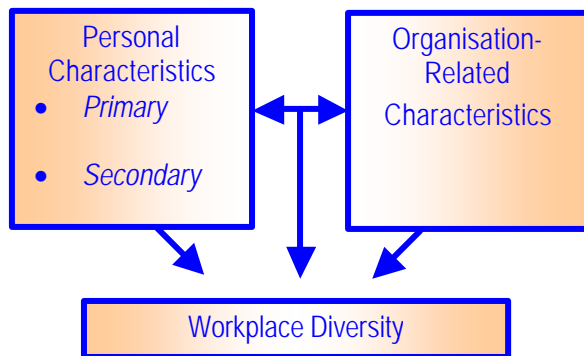
### What is Workplace Diversity?

Diversity encompasses all the ways in which people differ. Individuals differ on both a personal basis and in terms of organisation-related characteristics.

As illustrated in Figure 4, there are three major components of diversity:

- *Primary personal characteristics* e.g. race, gender, sexual orientation, nationality, mental and physical ability
- *Secondary personal characteristics* e.g. marital status, educational level, values, beliefs
- *Organisation-related characteristics* e.g. position in hierarchy, tenure, casual/part-time/full-time status

**Figure 4: Components of Workplace Diversity**



The complex interaction of these characteristics gives rise to workplace diversity and provides the basis upon which to leverage bottom line benefits.

### Compliance: What Are Organisations Already Doing?

At both the Commonwealth and State level in Australia there is a plethora of legislation governing the workplace. This legislation affords both rights and obligations on employees and employers. Accordingly,

Australian organisations have policies and procedures in place in order to ensure compliance with these laws.

Human Rights, Anti-Discrimination and Equal Opportunity, Occupational Health and Safety and Employment Law, amongst others, all require compliance from employers. Policies and procedures already in place to address these laws can provide a useful foundation for building diversity management strategies. For example, skills used to develop affirmative action plans can be applied to underrepresented groups across the organisation.

The central aim of much of this legislation is to ensure safe and harmonious working environments that allow employees to work to the best of their ability and to ensure the best people are selected for positions, training or promotion. There are synergies between these aims and those of diversity management.

Building on policies and procedures already in place to develop a proactive strategic approach to workplace diversity allows organisations to build diversity capabilities and competencies.

### Strategic Diversity Management: Building on Compliance

Strategic diversity management requires a cultural shift beyond the compliance culture of equal employment opportunity (EEO) and affirmative action (AA), to a culture where diversity is viewed as a source of value and competitive advantage, rather than the source of discrimination-based complaints.

The key to successful diversity management is the integration of diversity management in the organisation's strategies. Critical to this is the linking of diversity management policies, procedures, and goals to the organisations other strategies and the recognition that effective management of workplace diversity can enhance organisation strategies.

Diversity management should not be left solely in the human resource management domain. Crucial to shifting diversity management to the strategic level is the engagement of senior management. Top management ownership

elevates diversity management from the functional to the strategic level, and prevents the initiatives from being marginalised.

Diversity management strategies developed, championed and driven by senior management are more likely to receive widespread support across the organisation. Such ownership of diversity management signals to organisational members that diversity is important, and can form the basis of cultural change.

### Building Diversity Capabilities

Building on what the organisation already does to ensure compliance to adopt a strategic approach to diversity management allows organisations to develop diversity capabilities.

Diversity capabilities emerge as the organisation learns how to productively manage difference and harness diversity to produce a diversity dividend. Embedding diversity management in the organisations strategies ensures diversity capabilities are cultivated.

A strategic approach to diversity management is needed to facilitate these capabilities as strategies seek to exploit their organisational capabilities and competencies in the market place.

Organisations that develop diversity capabilities have the potential to transform these into core competencies that position them ahead of competitors in the market for customers and employees. For some organisations, *strategic* diversity management can form the basis of their competitive advantage.

### Action Areas

Through paying attention to key action areas, organisations can work towards moving diversity management to the strategic level. Each action area includes 'key steps' that seek to assist organisations in shifting from compliance to strategy in order to reap the diversity dividend. This section sets out the action areas and the associated key steps.

#### Action Area: Top Management

The success of diversity management rests on the level of top management commitment and support. Top management teams allocate resources and articulate the strategic direction of the organisation.

The development of a strong business case assists in situating diversity management at the strategic level. The business case for strategic diversity management engages senior management and provides a starting point for the 'championing' of diversity by top management teams. In some organisations top management will drive diversity management, in others the business case is an important tool for getting diversity management on the agenda and convincing senior managers of its strategic importance.

The ACIB survey of top management demonstrated that many Australian-based organisations had not made the link between effective diversity management and bottom line outcomes. The business case sets this out and provides the evidence needed for shifting diversity management to the strategic level.

#### Key Steps: Top Management

- Raise awareness of the 'business case' for diversity management
- Position diversity management as a strategic issue
- Top management should champion diversity management initiatives

#### Action Area: Auditing

To adopt a strategic approach to diversity management, organisations need to build diversity profiles. Building diversity capabilities depends on the organisations ability, and commitment to, gathering, analysing and responding to information on its workforce. Data relating to the make-up of the workforce, and the culture of the organisation is crucial.

Organisations should conduct a diversity and organisational culture audit to identify potential capabilities and challenges to effective diversity management present in the current culture. Auditing provides essential information that allows organisations to engage in both internal and external benchmarking, providing a basis to measure goal attainment. Further, auditing provides the basis for developing and designing organisational strategies. Detailed information on conducting diversity and organisational audits is provided in the auditing toolkit [NAME].

*Key Steps: diversity audit*

- Survey staff
- Analyse staff data
- Build a diversity profile of the organisation

*Key Steps: organisational culture audit*

- Establish representative diversity taskforce
- Investigate current processes, culture, policies and practices
- Assist in developing the diversity vision

**Action Area: Undertake a Strategic Stocktake**

Organisations seeking to shift from compliance-focussed policies and practices to strategic-focussed diversity management need to undertake a 'strategic stocktake'. A strategic stocktake allows organisations to understand what strategies, policies and procedures they already have in place, and how these can be used to develop a strategic approach to diversity management.

The stocktake (or audit) should also focus on what information the organisation already collects and analyses, and what information it intends to collect and analyse in the future.

*Key Steps: Strategic stocktake*

- Conduct a 'stocktake' of what diversity-related policies and procedures the organisation has in place
- Determine what new strategies, policies and procedures are required
- Conduct a 'stocktake' of what diversity-related information is collected by the organisation
- Determine what information is required by the organisation to effectively move to a strategic diversity management model

**Action Area: Identifying Existing and Potential Synergies**

The auditing and stocktake stages allow organisations to identify existing and potential synergies. During these processes organisations may identify existing strategies that can be coupled with diversity management strategies to produce superior outcomes. For example, an innovation strategy can be coupled with an employer of choice strategy to improve organisational performance. Further, the employer of choice strategy can be linked

to future marketing strategies as a more diverse range of people enter the organisation, thereby informing the marketing approach.

Considering existing strategies and how diversity strategies are important to them, provides the opportunity to enhance business performance. Identifying potential synergies can lay the foundation for continuing success.

*Key Steps: Identifying existing and potential synergies*

- Consider how factoring in diversity management strategies can improve existing business strategies
- Consider how diversity strategies can form the basis for, or complement future strategies

**Action Area: Develop a diversity vision**

Adopting a strategic approach to diversity management requires a culture that recognises, rewards, respects and values difference. The development of a diversity vision championed by senior management is an important initial step.

The vision forms the basis for the organisations strategies and plays an important symbolic role in the organisation reflecting senior management commitment to, and belief in, the strategic importance of diversity management.

Top management must own the vision and set out the strategies that flow from it. The diversity vision should articulate the desired culture of the organisation, and strategies to support any required shift should be put in place. A lack of vision from the top of the organisation impedes diversity management initiatives, and signals to organisational members that diversity management is not considered strategically important. Top management ownership foster cohesion and the development of clear and articulate goals.

*Key Steps: Diversity Vision*

- Senior management to develop diversity vision
- Senior management to set out diversity strategies
- Senior management to articulate desired organisational culture

### Action Area: Strategic Goal Setting

Following the development of a diversity vision, top management should develop strategic diversity goals, and determine how diversity interacts and complements other organisational goals.

Setting diversity goals, and linking these to the other strategic goals of the organisation ensures strong support for strategies. Building strong links between diversity and other business goals demonstrates that diversity management is seen as strategically important across the organisation, and that it is considered crucial to organisational performance.

#### *Key Steps: strategic goal setting*

- Clarify the diversity vision
- Set diversity goals
- Link diversity goals with strategic goals of the organisation

### Action Area: Training, Education and Awareness

If an organisation seeks to shift from a compliance focus to a strategic approach to diversity management, training, education and awareness are important short and long-term requirements.

Training, education and awareness are important in the development of diversity capabilities and skills, and also in teaching organisational members about the strategic importance of effective diversity management.

Appropriate training and education improve individual and organisational outcomes, and awareness training assists in building a common understanding of what the organisation means by 'diversity', its value to the organisation, and building social cohesion.

In implementing a move to strategic diversity management, education and training will play a critical role in shifting the focus from compliance to strategy. Education and training programmes should be tailored to the needs of the division and level of the organisation. Senior managers, middle managers, line managers and other staff will have different education and training needs to be addressed and delivery methods will vary across

participants. Particular attention should be given to the business case for strategic diversity management.

Communicating the 'value in diversity' message widely, and in varied forms, ensures on-going commitment to diversity management strategies. Critical to the success of education and training is the important step of linking training to the strategic objectives of the organisation.

#### *Key Steps: Training education and awareness*

- Invest in diversity training at all levels of the organisation
- Tailor training to specific needs of the recipients
- Build a common understanding of benefits and challenges while emphasising common goals
- Communicate the value in diversity message via various channels
- Link training to strategic objectives
- Use the business case for diversity management as the foundation for education and training

## The Business Case Restated

Managing workplace diversity effectively provides bottom line benefits for organisations. Shifting to a strategic diversity management focus allows organisations to build diversity capabilities and competencies, and offers the potential to develop competitive advantages. The existing compliance requirements provide potential building blocks for organisations to shift to a strategic approach.

Strategic diversity management, and the linkages created through identifying the value of diversity to other business strategies, improves organisational performance. Adopting a strategic approach to business operations, and recognising the importance of diversity to the achievement of business goals, can enhance existing strategies, and form the basis for the development of new opportunities.

Evidence shows that many Australian organisations have yet to identify the connections between diversity management and organisational performance. Australian

business, however, does have a commitment to compliance and this can be used to build a more strategic approach to diversity, allowing organisations to capture a diversity dividend, and improve the bottom line.