



MANAGING DIVERSE WORK TEAMS: 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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BUSINESS MODEL FOR DIVERSITY
MANAGEMENT**

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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 role of diversity capabilities in effective teamwork. A complementary Toolkit addresses strategies for more effectively managing teams.

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

Diversity Management And Managing Work Teams

This business model addresses the role of diversity management capabilities in enabling effective teamwork. The model argues that diverse work teams managed well will outperform homogenous work teams and unmanaged diverse work teams.

The Value Of Diverse Teams

Diverse teams will outperform homogenous teams as they draw on a greater pool of ideas and because their interaction will produce better solutions. The challenge for business is manage diverse teams effectively so as to harness these outcomes.

What Is Workplace Diversity?

Diversity refers to all the ways in which individuals differ. Workplace diversity includes both personal and organisational-related characteristics.

Missed Opportunities: Mind Of The CEO

A 2000 ACIB survey demonstrated that most Australian-based firms are yet to recognise the potential of diverse teams. This represents a substantial missed opportunity for Australian business.

How Do Diverse Work Teams Interact?

Diverse work teams operate differently to homogenous teams. Differences in communication styles, the mix of mental models and value sets, and a tendency towards in-group out-group behaviour and social categorisation all affect the way diverse teams develop and function.

The Value Of Diverse Mental Models And Information

Individuals bring with them individual views of the world and value sets. A greater diversity of mental models represents more viewpoints and perspectives on a problem or task. A diverse team may also have access to greater informational networks through their external communication channels. This will improve the quality of decision-making.

Action Areas For Managing Diverse Teams

Organisations can improve the performance of diverse work teams through attention to four action areas. Each action area includes a series of key steps designed to realise the *diversity dividend*. Figure 1 summarises the key steps in these action areas.

Figure 1: Key Steps in Action Areas	
<p>Action Area: Selecting and structuring teams</p> <ul style="list-style-type: none"> • Use existing diversity data • Consider desired work outcomes • Shortlist candidates • Select candidates • Inform teams of diversity rationale 	<p>Action Area: Resourcing Teams</p> <ul style="list-style-type: none"> • Assess needs • Provide communication training • Provide conflict management training • Encourage the valuing of difference • Develop team identity • Give the team time
<p>Action Area: Working with existing diverse teams</p> <ul style="list-style-type: none"> • Assess diversity • Assess team processes 	<p>Action Area: Measuring team performance</p> <ul style="list-style-type: none"> • Clarify a team vision • Set goals that encourage diversity management skills • Reward at a team level

Diversity Management and Managing Work Teams: An Introduction

Organisations are increasingly using work teams as functional tools to achieve their strategic objectives. The rationale for using teams is that there are inherent synergies, such that the team is *greater than the sum of its parts*. Teams allow both functional specialisation and collaborative interaction. Organisations should seek to form the most effective teams from their employees.

Australian workplaces are amongst the most diverse in the world. Many generations of immigration have created a diverse range of cultural backgrounds. The workforce is aging. There are more females employed and more employees come from non-English speaking backgrounds. More people are shifting employers and occupations, bringing with them a greater range of skills, experiences and value sets. As the workforce becomes more diverse, so too will work teams.

These changes represent a challenge to Australian management. Diverse work teams operate differently to homogenous teams. There tends to be greater friction, conflict and communication problems. However, there are substantial potential gains to be made. There is strong evidence that diverse teams produce more creative and effective outcomes. In a dynamic environment where innovation and differentiation create strong competitive advantages, organisations need to harness this creativity.

It is the role of management to adapt to the needs of diverse work teams so as to harness the *diversity dividend*. This model argues that diverse work teams managed well will outperform homogenous work teams and unmanaged diverse work teams. Four action areas are identified and key steps to better management of diverse teams are articulated.

The Value of Diverse Teams

The value of diverse teams lies in their capacity to tackle more complex problems and produce better solutions. Diverse teams have the

potential to outperform homogenous teams as they draw on a greater pool of ideas and because their interaction will produce better solutions.

Teams with diverse membership have the capacity to see problems from many different perspectives, which ideally leads to a sophisticated understanding of that problem and the development of high quality solutions. There is a large body of research data from workplace and laboratory studies showing that diverse teams produce more creative responses.

The challenge for business is manage diverse teams effectively so as to harness these potential performance improvements.

Missed Opportunities: Mind of the CEO

In 2000, the Australian Centre for International Business undertook a major survey of Australian corporations to gauge CEO opinions on the importance of diversity management. CEOs and senior managers made up 80% of the 227 respondents. There were a number of important findings regarding the capacity to harness the value of diverse teams.

Figure 2 – The views of Australian CEOs on diversity management and teams

- Of the 227 Australian CEOs and senior managers surveyed,
- 20 percent ranked diversity management as highly important to problem solving within teams
 - 23 percent ranked diversity management as highly important to innovation within teams
 - 33 percent ranked diversity management as highly important to creating a company culture valuing difference
 - 32 percent ranked diversity management as highly important to workforce productivity

As shown in Figure 2, only 20 percent of the CEOs and senior managers surveyed ranked diversity management as highly important to problem solving within teams. Similarly, only 23 percent ranked diversity management as highly important to team innovation. The link between diversity management policies and

workplace outcomes was not generally understood. Only 33 percent ranked diversity management as highly important to creating a company culture valuing difference. Only 32 percent ranked it as highly important to workforce productivity.

Clearly, there is a need to set out for Australian business the value-in-diversity business case.

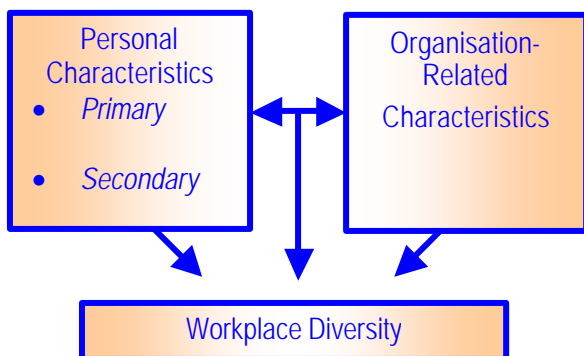
What is Workplace Diversity?

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 3, there are three major components of diversity:

- *Primary personal characteristics* e.g. race, gender, 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 3: 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.

How Do Diverse Work Teams Interact?

A diverse work team will operate differently to homogenous teams. Differences in

communication styles, the mix of mental models and value sets, and a tendency towards in-group out-group behaviour and social categorisation all affect the way diverse teams develop and function.

Research shows that, when harnessed, workplace diversity produces superior problem solving, creativity, and better quality decision-making, which translate into better servicing of customers and markets, and increased business competitiveness and success.

A greater range of approaches to problem solving and an absence of *groupthink*, when nurtured, leads to greater innovation by diverse teams. Managed effectively, diversity in the workplace translates into real bottom line benefits.

To best harness these benefits, it is crucial to understand where the potential problems lie.

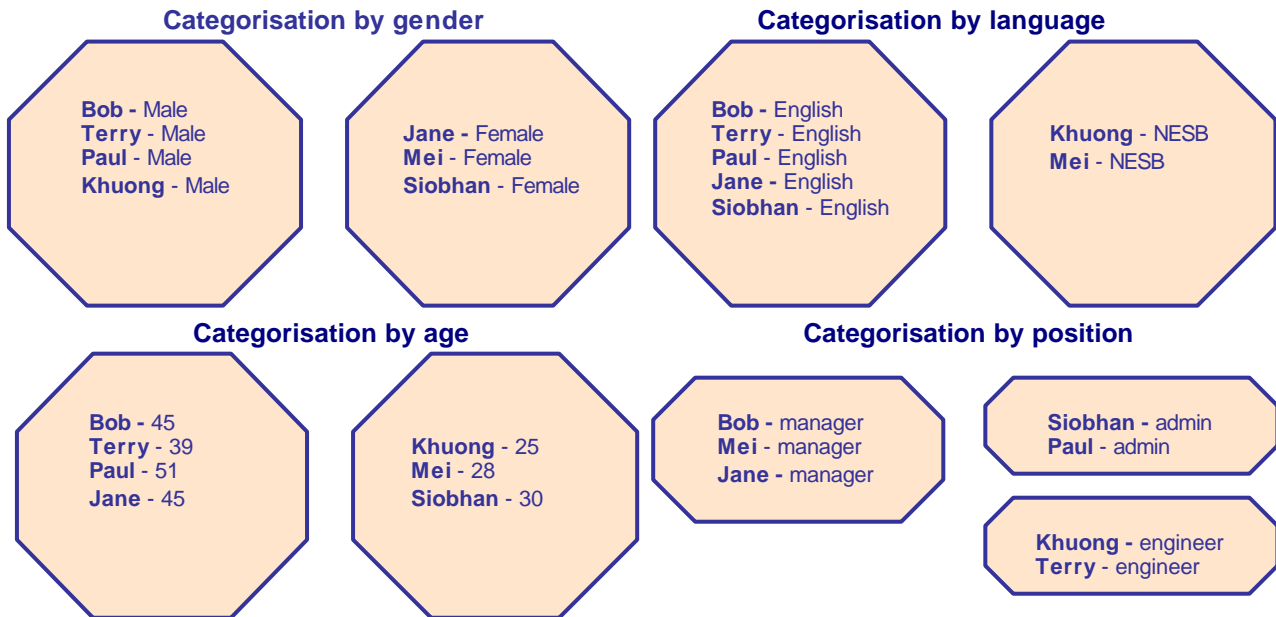
The Impact Of Social Categorisation

A common tendency in human interaction is that of *social categorisation*. Put simply, people like to put other people into easily understood pigeonholes. The dimensions of diversity, particularly those identified as primary personal characteristics, such as ethnicity, gender or age, all serve as convenient and common categories. The individual will self-identify into a particular category such as *male* or *young* or *Greek woman*. Other individuals within the team will be categorised as either members of that category or as outside of the category.

As the individuals come to define themselves in relation to each other, *otherness* is typically perceived as a deficiency. Part and parcel of this categorisation is a tendency to impose stereotypes as shorthand prejudgements of likely attitudes and behaviours. Of course, the individuals may identify with a number of categories as illustrated in Figure 4.

Figure 4 provides an example of a diverse work team. Four different social categorisation processes are illustrated – by gender, language, age and position. Each process produces a subgroup of *others* that may feel isolated or under appreciated. The different categories may come into play at different points in team interaction.

Figure 4: Four examples of categorisation within a work team



Extensive research on group process has shown that social categorisation results in conflictual relations, communication problems, and factionalism within the team, as team members fail to identify with members who are categorised into out-groups.

Whilst there is evidence that short-term progress is affected by conflict and communication problems in diverse teams, research shows that diverse teams foster speed and innovation over whole development cycles. It is the existence of a conflict of ideas that has been shown to produce substantially higher quality solutions in diverse teams. More alternatives are considered and higher quality work is produced. Time is an important consideration: diverse teams take longer to develop routines and communication norms but outperform homogenous teams over time.

The challenge for managers is to realise the positives within the teams and minimise any negative or non-constructive conflict.

The Impact Of Similarity And Attraction

The similarity/attraction paradigm focuses on the preferences of individuals to interact with individuals with who they share common life experiences or values. Similarity-attraction theories are based on the premise that people

need social validation for their beliefs to support their self-esteem and the way that they make sense of inter- and intra- group interaction. Similarity/attraction leads to increased communication, high social integration and a desire to sustain group affiliation. In a diverse team, due to a lack of interpersonal similarity, individuals within the team have fewer points in common to develop their mutual feelings towards each other. As a result, feelings that promote attraction and self-validate one's own self-esteem do not eventuate. There is a greater tendency to break into smaller sub-groups.

The challenge for managers is to encourage greater cohesion. This may involve building a stronger sense of team identity and setting team goals.

The Value Of Diverse Mental Models

Individuals bring with them different views of the world and value sets. Their cultural background, social position, experiences and skill sets, will shape these mental models.

Different mental models mean different ways of viewing issues, tackling problems, interacting with others and communicating. These differences can be incredibly valuable, if

harnessed as new ideas are generated and creativity unleashed.

Team members from typically underrepresented demographic groups may also present views that have usually gone unheard in corporate Australia. This may cultivate new products and service better suited to such groups and create a competitive niche for the organisation.

The Value Of Information

Information is crucial to good team decision-making. A diverse team may have access to greater informational networks through their external communication channels. This will improve the quality of decision-making. Team members must be encouraged to bring this information to the team.

The free and easy flow of information is crucial to a team achieving optimal outcomes. Only with such information can quality decisions be made. Team members need to be comfortable with sharing information and aware of the different ways in which individuals may present their knowledge. There also needs to be effective decision-making processes.

The Communication Challenge

The information and decision-making approach predicts three diversity effects on team processes:

- Diversity will increase the cognitive processing demands of work teams
- Diversity will improve analysis in the team, leading to more careful analysis of issues
- Diversity will lead to better use of information in the work team

Best practice management of diverse teams is about maximising the analytical and information gains. This will occur when team members have been provided with the necessary cognitive and communication skills.

Getting it wrong

Leaving diverse teams unmanaged, and not adapting management practices to their needs may have disastrous effects.

Tendencies for people to form into in-groups and out-groups can affect job satisfaction, and impinge on supervisor-subordinate and co-worker relations. This, in turn, impacts on the achievement of organisational goals. Data from the banking industry has found higher levels of turnover in diverse top management teams. This is likely to reflect a lack of diversity management initiatives.

Effective diversity management strategies can address these issues and improve individual's job satisfaction. For example, addressing inequity in advancement and reward opportunities using the HRM toolkits, can improve job satisfaction.

As job satisfaction is inextricably linked to organisational commitment that is, in turn, linked to absenteeism and turnover, actions to address these issues and improve individuals' outcomes will also benefit organisational outcomes.

Action Areas For Managing Diverse Teams

Getting it right

The ACIB survey demonstrated that Australian business is missing out on the opportunities having a diverse workforce brings. The benefits of diversity do not spontaneously appear: they require strategies, policies and practices to produce a diversity dividend. These strategies, policies and practices are encompassed in the key steps set out in this model.

This section targets four action areas that can be addressed with coherent policies and practices. Each action area encompasses a series of key steps in managing diverse work teams and harnessing the diversity dividend.

These action areas and key steps are expanded upon in a Toolkit from the Programme. *Effective Management of Diverse Teams: A Toolkit for Diversity Management* includes policies and practice to assist organisations in implementing key steps.

Action Area: Selecting and structuring teams

Diversity within a work team may be more common in some organisations than others. If a workplace is diverse generally then it is probable that any team selected from that talent pool would also be diverse.

Less diverse workplaces may have to be more proactive in seeking greater diversity within selected teams. It may take an explicit policy of team diversity to achieve the desired results. Positive work experiences within such diverse teams will have positive spillover effects to the rest of the organisations and may generate broader support for greater diversity within the organisation.

Team members must be selected on the basis of their skill sets and expertise. It is important that there is a clear vision of the desired outcomes of a team and how team diversity may contribute to that outcome. Likewise it is important that team members are given a clear understanding of the principles behind an explicit *diversity in teams* policy.

It is also important to acknowledge that different types of diversity are related to different types of conflict, which in turn affect team process and performance differently. How a team deals with diversity depends on the team's structure.

Key Steps: selecting and structuring teams

- Use existing diversity data
- Consider desired work outcomes
- Shortlist candidates
- Select candidates
- Inform teams of diversity rationale

Action Area: Working with existing diverse teams

Of course, not all work teams are selected from scratch. Nor is there always a longer list of candidates than positions. As such, it is likely there are already diverse teams operating in the organisation.

Best practice diversity management is about *getting it right* with these teams. A good starting point is examining the current team

processes. It is important to identify any problems arising from social categorisation, similarity and attraction and information problems.

Key Steps: working with existing diverse teams

- Assess diversity
- Assess team processes

Action Area: Resourcing teams

The key to improving the performance of diverse work teams is providing the team members with the necessary skills to function efficiently. Adequate resources must be provided to guide diverse teams through early-stage hurdles. Training of team leaders and members is critical to the performance of diverse teams.

It is crucial that teams understand the likelihood of conflict and of communicative dissonance. There needs to be recognition that some forms of conflict can be very constructive. Likewise, the value in different views and means of expression should be emphasised.

Many of the issues around isolation of under represented groups can be tackled by acting to build a stronger team identity that embraces the differences as a positive.

Finally, it is critical that diverse work teams be given time to develop these skills.

Key Steps: resourcing teams

- Assess needs
- Provide communication training
- Provide conflict management training
- Encourage the valuing of difference
- Develop team identity
- Give the team time

Action Area: Measuring team performance

The team needs to have goals or targets that reflect the desired tasks at hand and which are linked to the strategic goals of the organisation. Such goals should reflect the value placed on new and innovative outcomes and the skills required to work in a diverse team.

The goals should act to further strengthen the team's sense of identity. Likewise it is important that rewards happen at a team level to encourage greater involvement of team members and avoid the pursuit of sub-optimal goals.

Key Steps: measuring team performance

- Clarify a team vision
- Set goals that encourage diversity management skills
- Reward at a team level

The Business Case Restated

Effective management of diverse teams will have substantial payoffs. As illustrated in Figure 5 poorly managed diverse teams will experience communication difficulties and high levels of unproductive conflict. This is unproductive and unsatisfying for team members. It will cost the organisation dearly.

In contrast well-managed diverse teams will overcome communication difficulties and produce creative and high quality outcomes.

Figure 5: The impact of management on the performance of diverse work teams

