



Diversity-Network – Newsletter Five

What's in this issue?

In this fifth issue of the Diversity-Network Newsletter we provide a brief summary of **Expatriate Management: A Business Model for Diversity Management**. This is an example of a more innovative application of diversity management capabilities to common business problems.

We continue to provide you with Diversity related material under the following headings:

- Diversity Resources
- The Diversity Dividend
- Diversity Research
- Diversity Demographics
- Best Practice Diversity Management

We also highlight the changes we've made to our website.

Diversity Resources

Our Business Models are short business-focused arguments for developing diversity policies in a range of areas.

Expatriate Management: A Business Model for Diversity Management addresses the role of diversity capabilities in managing expatriate success. In particular, this Model outlines the tendency of Australian firms to ignore the cultural skills within their workforces and thus incur substantial expatriate failure costs. A series of steps to improving the organisation's performance are outlined.

The management of expatriate assignments is critical to international business success. Diversity management reduces the costs of expatriation and improves expatriate success rates.

One of the greatest challenges for expatriates is the cultural complexity of the environments in which they operate. They are confronted with new systems of values, beliefs and *ways of doing things* that may be dramatically different to those of their home country.

"Our diversity is a source of competitive advantage" ... Prime Minister John Howard

The transition of expatriates into culturally distant locations can be extremely difficult. Expatriates who originate from the country or region of their posting will adjust more readily to their assignment than those with little experience of their new cultural environment. Such individuals will be more effective than those who struggle to adjust to foreign cultures. Their superior performance has a direct impact on the firm's bottom-line.

Key to our analysis of the expatriate problem is the notion of *mental models*. Mental models reveal how people understand their environments, determining the type of information they receive and the ways in which they process that information. Such models are socially learned, educationally reinforced and experientially altered. Culturally-adept expatriates will apply effective mental models to interpret the complex business environment.

A failure to understand the differences in mental models between cultures will impose costs on business, which must invest in infrastructure to bridge communication gaps. Such gaps are a major cause of international joint venture failure.

The impact of institutional differences in further escalating these problems should not be underestimated. Expatriates with an in-depth knowledge of host environments, including shared mental models with locals, are better placed to make wise partner selection decisions. Firms can benefit from the cultural, organisational and industry based knowledge held by such expatriate managers.

The Business Model identifies the substantial costs of expatriation, and the even greater costs of expatriate failure. It outlines a list of *key steps* organisations may take to reduce the likelihood of expatriate failure:

- Conducting an expatriate audit
- Conducting a cultural diversity audit
- Refining expatriate selection
- Providing cross-cultural training
- Providing repatriation assistance

These key steps are explained at length in **Keys to Expatriate Success: A Toolkit for Diversity Management**.



<p>Diversity-Network – Newsletter Five</p>	<p>“Our diversity is a source of competitive advantage” ... Prime Minister John Howard</p>
<p>This Toolkit includes a series of case studies from a number of our Business Partners, including Hewlett Packard, Holden and Telstra.</p> <p>Both Expatriate Management: A Business Model for Diversity Management and Keys to Expatriate Success: A Toolkit for Diversity Management are currently available from our Website.</p>	<p>More effective selection may include provision of cross-cultural training. As outlined on Page 8 of the Business Model, the costs per participant may range from as low as \$248 to around \$3500.</p> <p>The cost saving from the reduced chance of failure represents a substantial <i>diversity dividend</i>.</p>
<p>The Diversity Dividend</p>	<p>Diversity Research</p>
<p>This section highlights evidence we have collected to illustrate the concept of the <i>diversity dividend</i>. The emphasis is on bottom-line cost savings or revenue gains that can be achieved through sound diversity management practices.</p> <p>As discussed in Expatriate Management: A Business Model for Diversity Management, expatriation assignments are very costly exercises. For example, the estimated annual costs of maintaining an Australian expatriate manager in Hong Kong earning a salary of \$200,000 are:</p> <ul style="list-style-type: none"> • \$200,000 in salary costs • \$150,000 to \$300,000 in housing costs • \$20,000 to \$50,000 as a foreign service premium • \$8,000 to \$30,000 on company cars • \$6,000 to \$24,000 on airfares • \$10,000 to \$80,000 on relocation allowance • \$20,000 per child on schooling <p>As a rule of thumb, the total cost per year to the firm of maintaining an expatriate is expatriate salary multiplied by three.</p> <p>These are the costs to set up the expatriate and maintain them. Expatriate failure is even costlier. The direct costs include repatriation back to Australia, the costs of sending another expatriate if necessary and potentially the replacement costs if, as is often the case, the employee subsequently leaves the organisation. Further costs may be incurred if the failed expatriate has actually caused damage to an overseas business operation.</p> <p>The risk of expatriate failure will be reduced by more effective selection as discussed in the Business Model.</p>	<p>This section aims to provide you with brief summaries of important research that has appeared recently in academic journals and that is shaping the business case for diversity management.</p> <p>Pride, Prejudice and Performance: Relations Between HRM, Diversity and Performance by Yvonne Benschop (<i>The International Journal of Human Resource Management</i>, November 2001) recognises that managing diversity is one of the main challenges of modern organisations. Because employees are not homogenous, HRM activities have differential effects for them; consequently managing diversity is a major challenge for organisations.</p> <p>Benschop argues that we need to rethink HRM from the perspective of diversity, rather than simply “adding diversity to HRM and stirring”, examining the implications of workforce heterogeneity for organisational practices, and how this heterogeneity influences organisational performance. Strategic decisions relating to diversity need to be “built in” before the design and implementation of HRM strategies, rather than simply adding diversity on.</p> <p>The case studies exploring diversity strategies included in Benschop’s article provide examples of two organisations (one banking and one telecommunications) at either end of the diversity pride-prejudice spectrum. Given the rarity of diversity field studies, the article makes valuable contributions to our understanding of diversity in practice.</p> <p>Benschop found that an organisation’s strategy for managing diversity influences the process of meaning formation regarding diversity, and the perception of performance effects. In other words, if</p>

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the organisation does not have a vocabulary or instruments for interpreting the effects of workforce diversity, then members will not identify potential performance effects of diversity. Benschop argues that the availability of a diversity vocabulary and instruments for interpreting diversity-related interactions is crucial. Benschop's study also found evidence that diversity affects daily interaction and the functioning of diverse groups.

For organisations this means that articulating the business case and making explicit links between diversity and performance is critical, as is the development of a clear diversity strategy, vision, and values. Clearly, diversity training and education are important in providing organisations with the instruments and vocabulary necessary for identifying the value of diversity in organisational performance.

Diversity Demographics

This section provides you with useful information on the changing demographics of Australian society. Best practice organisations should seek to adapt their management strategies to accommodate the changing needs of their employees

The mental models of individuals and many of their lifestyle needs will be shaped by their religious affiliation. The **Australian Bureau of Statistics'** (ABS) census data indicates significant shifts in religious affiliation in recent years.

The proportion of Australians who either stated that they had no religion, or who did not state an affiliation with any religion, has grown substantially, growing from 6.7 percent in 1971 to 16.6 percent in 1996.

The largest religious groups in Australia in 1996 were Catholic (27 percent), Anglican (22 percent), Uniting Church (7.5 percent), Presbyterian and Reformed (3.8 percent) and Orthodox (2.8 percent).

Overall the Christian denominations represent a 70.9 percent share of the population. This figure has fallen from 86.2 percent in 1971. The growth tends to be in the non-Christian religions and in non-traditional Christian groupings.

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The fastest growing groups between 1991 and 1996 were (with population):

- Hinduism – 54.4 percent increase (to 67,900)
- Buddhism – 42.9 percent increase (to 199,800)
- Islam – 36.2 percent increase (to 200,900)
- Pentecostal – 16 percent increase (to 174,700)
- Jehovah's Witness – 11.6 percent increase (to 83,400)

Of course, religious affiliation intersects with ethnicity, language group, gender, education and many other dimensions of diversity to shape mental models and behaviour.

Diversity management strategies should ensure that these employees' needs are catered for within the workplace. The knowledge of these employees should also be harnessed to ensure products and services are designed and delivered appropriately.

This data is taken from *Australia Now - Population-Religion* at <http://www.abs.gov.au>

Best Practice Diversity Management

In this section we highlight examples of Australian firms adopting best practice Diversity Management strategies and policies. **Holden** is a Business Partner of our Programme.

Holden's management of expatriate assignments demonstrates how organisations can combine individual and organisational needs to strike a balance between work and family commitments. In the case of an engineer keen to experience working overseas, with a partner expressing reservations, **Holden** undertook a specialist adaptability assessment of the couple to determine their suitability to the assignment. The assessment highlighted the partner's reservations, raising considerable doubts about the success of the assignment. At the same time it was clear that whilst the engineer was keen on overseas experience, this would place considerable stress on their marriage.

Holden was committed to balancing the career and personal goals of the engineer so an alternative solution was sought. **Holden** facilitated a number

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short overseas assignments for the multi-lingual engineer to countries where he could communicate.

The solution was viewed as *win-win* for the engineer and their partner, and also **Holden** who avoided a potentially costly expatriate assignment failure but gained from the engineer's managerial, language and technical skills on a world stage.

For further expatriate case studies see **Keys to Expatriate Success - A Toolkit for Diversity Management**.

We are keen to *spread the word* on Australian organisations' activities. If you have a policy or strategy you would like us to highlight, contact us at Diversity-Network@unimelb.edu.au

Our Diversity Website

Our website has been revamped over the past month and was re-launched on November 30th. We have endeavoured to make the site more user-friendly and intuitive.

Fifteen different *Diversity Resources* are now available on-line from the site. These include:

- The Business Case
- Business Models
- Toolkits
- Reports on the *State of Play* in Australia
- Articles by the Programme published in business magazines.

The Diversity-Network Newsletters are archived on the site and visitors can join the Network on-line.

Links to the Diversity Policies of a range of international corporations are provided. Links to Australian firms will be posted very soon. If you would like a link to your organisation's Diversity Policy page please send details including the URL to Diversity-Network@unimelb.edu.au.

Other Diversity Management Links are also listed. Please contact us if you feel you have a relevant link we should consider.

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We would greatly appreciate any feedback on the site. The website's address is:

<http://www.ecom.unimelb.edu.au/acib/diverse/home.html>

The Diversity-Network

We encourage you to forward this Newsletter to interested colleagues. We are open to any suggestions for promoting the Diversity-Network, the Programme and our website through avenues such as industry publications, forums and conferences, other mailing lists and websites.

Contact us at Diversity-Network@unimelb.edu.au

Or through our website at <http://www.ecom.unimelb.edu.au/acib/diverse/home.html>