



Diversity-Network – Newsletter Six

What's in this issue?

In the sixth issue of the Diversity-Network Newsletter we provide a summary of **Adding Value Through HRM – A Business Model for Diversity Management**. This Model provides organisations with strategies for harnessing workplace diversity to add value to the bottom line.

The Newsletter also contains a summary of a key diversity-related academic article, statistical information of disability in the Australian population, and a best practice case study of mentoring at AMP.

Diversity Resources

Our Business Models are short business-focused arguments for developing diversity policies in a range of areas. **Adding Value Through HRM – A Business Model for Diversity Management** focuses on adding value through the effective management of workplace diversity. The Model sets out how firms can effectively leverage workforce diversity to improve bottom line outcomes.

The Business Model's central argument is that the bottom line benefits of workplace diversity do not emerge spontaneously – they rely on a strategic approach and integration with the organisation's business strategies. Managed effectively, workplace diversity produces superior innovation, creativity and problem solving capabilities, and better decision-making. These will translate into superior servicing of customers and markets, and increased competitiveness and success. Managing diversity effectively also provides organisations with the ability to develop superior learning and knowledge capabilities.

ACIB research demonstrates that Australian organisations still have some way to go in recognising the strategic importance of diversity management. There is a clear need for a strong business case for how diversity management adds to the bottom line. **Adding Value Through HRM – A Business Model for Diversity Management** provides the business case for a strategic approach to managing workplace diversity.

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The Model provides readers with an overview of how information sharing and constructive task-based conflict lead to superior team performance. The model also sets out the long-term pay-offs of managing diversity effectively - namely the development of learning and knowledge-based organisations. The Model argues that HRM strategies focused on improving individual outcomes and job satisfaction have strong multiplier effects through the organisation, feeding bottom line improvements.

The business model sets out seven key **action areas**. Attention to these areas facilitates bottom line improvement as the diversity dividend is harnessed. The action areas focus on:

- Top Management
- Auditing
- Strategic Goal Setting
- Training, Education and Awareness
- Promoting Superior Performance
- Improving Individual Outcomes
- Employer of Choice Strategies

Associated with each of the action areas are key steps designed to provide organisations with tools to realise the **diversity dividend**. These key steps are explained at length with practical implementation guidance in a series of toolkits: **Adding Value Through HRM: A Toolkit for Diversity Management** and **Using Diversity Climate Surveys: A Toolkit for Diversity Management**.

Both of these Toolkits will be available from our website in the next week.

The Diversity Dividend

This section highlights evidence we have collected to illustrate the concept of the **diversity dividend**. The emphasis is on bottom-line cost savings or revenue gains that can be achieved through sound diversity management practices.

Evidence shows that non-majority groups in the workplace tend to have lower levels of job satisfaction and higher rates of turnover. Turnover can be very costly to an organisation. In a 1998 study examining the cost of female staff turnover the costs



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incurred by firms in terms of separation, replacement and training were identified. Including estimates for lost productivity, it has been estimated that the total turnover cost was almost \$75000 for each high-performing female manager exiting a large Australian professional services firm. The main reason for exit was the absence of family-friendly policies or a culture that accepted multiple commitments. Multiple commitments acted to situate some women in the minority, where they were treated as out-group members.

A number of Australian firms have attempted to cost turnover in their organisations. A 2000 study including **NRMA** estimated the cost of replacing a manager at \$48 000, and other staff members at \$12,000. The same study placed a figure of \$60,000 on senior management replacement and \$40,000 for an employee with eight years experience at **Westpac**. Generally, organisational turnover costs per person are between 93 and 200 percent of their annual salary.

Good diversity management practices have been shown to significantly reduce turnover amongst non-majority groups (and overall). This is a substantial **diversity dividend**.

Diversity Research

This section aims to provide you with brief summaries of important research that has appeared in academic journals and that is shaping the business case for diversity management.

Demography and Diversity in Organizations: A Review of 40 Years of Research by Katherine Williams and Charles O'Reilly (*Research in Organizational Behavior*, Volume 20, 1998) is the most extensive literature review conducted on organisational diversity, work groups, management, and organisations. The article systematically reviews over 80 empirical studies relevant for understanding the workplace effects of diversity.

The authors summarise the empirical evidence and develop a model that explains the underlying theory, effects of diversity of group process and

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They have also compiled comprehensive literature review tables that describe the demographic variables studied in, and results of, laboratory and field empirical studies. Some key findings from the review are:

- **Gender diversity** effects are dependent on the proportion of men and women in the workgroup, with men experiencing more pronounced negative effects when they are the minority in a workgroup, despite being less susceptible to hostility, stereotyping and being more socially integrated;
- **Functional diversity** (i.e. teams of people from different functional areas) improves creative performance as it stimulates constructive task related conflict, leading to improved performance;
- **Ethnic diversity**, unless successfully managed, had negative effects on group processes and performance. Individuals who are ethnically different from the majority are more likely to receive lower performance ratings, be less satisfied, and psychologically committed, and leave due to in-group out-group behaviour.

This article is invaluable to anyone wanting to build an in-depth business case. Many of the studies indicate that diversity has negative results on efficiency because groups were not supported, resourced or managed effectively. The findings illustrate the dangers of poor or non-existent diversity management practices. Organisations that are aware of the potential pitfalls of heterogeneous workplaces, and adjust their practices and strategies accordingly, will reap a **diversity dividend**.

Diversity Demographics

This section provides you with useful information on the changing demographics of Australian society. Best practice organisations seek to adapt their management strategies to accommodate the changing needs of their employees. Such organisations aim to be well situated to understand and meet the needs of our diverse population.



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Disabled people are often perceived to be excluded from the workplace. Evidence from the Australian Bureau of Statistics (ABS) indicates that, in fact, most workplaces will have employees with some form of disability. Their 1998 survey found 19 percent of Australians have a disability (3.6 million). A further 17 percent (3.1 million) were found to have a long-term condition or impairment. Disabilities and impairments may fall into a range of categories such as sensory and speech, intellectual, physical, psychological and head injury, stroke or brain damage.

The labour force participation rate for people with a disability was 53 percent in 1998. People with a disability experienced a higher unemployment rate (12 percent) than the total labour force (8 percent). The unemployment rates vary substantially. The unemployment rate for the 449,000 people aged 15-64 with sensory or speech impairment was 8.4 percent. For the 1,535,000 with physical disabilities the rate was 12.2 percent. The rates were progressively higher for people with head injuries etc (18 percent), intellectual disabilities (21.6 percent) and psychological conditions (24.9 percent).

Having a disability or impairment may not interfere with a person's typical daily activities or their capacity to work. Only a small proportion (6 percent) of the total population has a profound or severe restriction from their disability, and most of these individuals are over the age of 65.

The implications for Australian businesses are several. To ignore or underestimate the capacity of impaired and disabled applicants and employees is to miss out on a large and diverse skill base. Organisations who take a lead in employing greater numbers of workers with a disability and providing a more suitable workplace will develop competitive advantages in attracting the best workers.

Furthermore, businesses need to develop a greater understanding of the needs of consumers with a disability. Ninety five percent of disabled Australians live in households, rather than hospitals or nursing homes. They and/or their 2.3 million carers represent a significant group of consumers. The instance and

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severity of almost all disability groups increases with age. As such, the burgeoning *grey* market includes a greater proportion of consumers with disabilities. Not understanding the needs of consumers with a disability will lead to declining market performance in the future.

These data are taken from *Disability, Ageing and Carers, Australia: Summary of Findings (1998)* and *Australian Social Trends (2001)* 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. Our Toolkits include a large number of case studies.

AMP, in cooperation with the Department of Workplace Relations and Small Business has established cadetships for indigenous Australians. As an integral part of the program, senior managers undertake to formally mentor the cadets during their first 12 months of employment. AMP further ensures that the cadets are supported by more experienced colleagues via an informal mentoring or 'buddy' system.

Mentoring is also a key component of AMP's Springboard Program. This program equips the female lower level management/supervisory target group to self-select mentors. It also provides them with the framework to obtain maximum benefit from a mentoring partnership and introductions to potential mentors. This case study appears in **Attract, Retain and Motivate: A Toolkit for Diversity Management** available from our website at <http://www.ecom.unimelb.edu.au/acib/diverse/home.html>