

# Diversity management: the challenge for the future

*Diversity management is not just a soft skill dealing with the moral refinements of fairness. It is not an affirmative action programme with crazy quotas; rather it means new markets, new customers, new users of your products and services.*

Are you a CEO of a corporation? Or perhaps the director of marketing, product development or the HR department? Are you responsible for large projects? If you are, you may have noticed the increasing diversity in your company and its environment.

This article deals with increasing diversity and complexity and how to manage it. It will offer a clear, coherent strategic concept which will help you manage your own organisational and environmental diversity more effectively and consequently lead to the improvement of the bottomline of your business.

You are probably thinking: "Oh, not quotas, conflicts, fear and accusations again." But wait. Keep on reading and you will be pleasantly surprised.

## Challenging megatrends

It is easy to see that change – often significant change – is everywhere. The diversity of the stakeholders such as customers, suppliers, colleagues and shareholders as well as the diversity of immediate and not so immediate social and political environments are becoming increasingly complex and, as a result, more difficult to manage.

What are the causes of this increasing diversity and complexity?

Here are just a few.

### Globalisation

Markets and customers are changing rapidly. Currently corporations are not only competing locally and regionally, but also worldwide.

Different production and infrastructure costs in widely diverging investment environments and contexts enable businesses to gain cost advantages.

Whether it be in production, sales, marketing or HR, corporations are increasingly being forced to act and think globally. Customers as well as staff are becoming more internationally, interculturally and biographically diverse.

### Demographic

Changes are also becoming increasingly noticeable. In each nation the demographic



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data point to wider diversity than ever before. In Europe, for example, age is becoming a point of contention. The graying populations are becoming larger and more expensive to take care of.

Those countries especially affected are Spain, Italy and Greece, followed by Austria and Germany. Not only do age demographics influence pension and care systems, but also communal growth and housing.

The contrary example for the significance of age demographics is in South Africa where creating work opportunities for youth is one of the most challenging issues. If not solved, this could result in a loss of human resources for a whole generation.

### Women

Women are gaining more and more financial power through their more frequent and enduring entry into work forces as well as their own changing understanding of themselves and their roles. As they become more empowered they also play more of the decision making role as consumers.

Have corporations adjusted to these demographics and role changes?

Up until now there have not been a wide enough variety of products and services on the market which are directed at the new needs of women (in product development there are few women!) Neither are women in advertising taken seriously. 'Typical feminine' product advertising as in cosmetics is still the rule.

This should not be surprising considering the fact that so few women are found in high level management. As Tom Peters, the American management guru once expressed it so appropriately: "But it is a businessman's crusade ... against the economically shortsighted practices of the male powers ... I do not believe that most men are ... sexist pigs. I do not believe that they (we!) are ... obvious idiots."

### Ethnicity

People from an ethnic background which are different than those of the dominant group in a society are becoming increasingly demographically significant in most (if not all) parts of the world. In an economic and political power of such magnitude, a presidential candidate in the USA cannot ignore the hispanic, African-Ameri-

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can and other minority voters.

For example, it is increasingly necessary to speak Spanish to the Spanish speaking voters.

In Germany the numerically strongest minority group of foreign origins are the Germans of Turkish background; these people have hardly been noticed as a possible marketing target group in spite of the fact that they are economically potent.

In South Africa outside observers are often astonished at the tacit acceptance of English in business life while Zulu and other languages are viewed as marginal.

#### *The gap between the rich and the poor*

In many countries throughout the world very small upper and middle classes are getting wealthier leading to a widening of the gap between the rich and the poor.

Recently, in some countries in Latin America poverty has been rising mainly because of government deficits. In some cases a new market can arise out of such 'problems.'

Normally, loans are given at horrendously high interest rates by usurious money lenders; at least up until recently that has been the case. Such usury aggravated already impoverished lives by enslaving people through debt and making it nearly impossible for these people to rise economically.

In Latin America programmes are being initiated to confront this aspect of diversity. In Bolivia, for example, the struggle is on to attract women street vendors as possible micro loan clients. With megaphones blasting from cruising pickup trucks, contacts are being made mainly with women as potential candidates from micro loans.

Why women? Because they have found that poor women who work together with other women in a small group and who have a clear idea what the money making project could be, have a high payback rate. No collateral is necessary.

The BancoSol and Caja Los Andes have been averaging about a 15% profit on micro loans, six times higher than in the traditional banking sector using traditional criteria for giving loans.

#### *Skin colour*

There is hardly a country in the world which is not in some way affected by prejudice and discrimination based on the colour of a person's skin, a fact which is often associated with dominance and

subordination, good and bad, development and underdevelopment.

This is also the case in Germany. For South Africa this might be the biggest challenge. A fragile co-existence is not enough. The outside observer feels a big taboo to talk about it, still it can be perceived as a kind of time bomb wrapped in shiny, friendly layers.

#### **The new baby's name: diversity**

Paul Watzlawick, the famous constructivist, once said: "What I don't see, I can't see." And so it is with diversity. If an organisation is monocultural (men in their early 40s, white, married with two kids at home), it is very probable that the market and customers of this organisation will be perceived from the same narrow viewpoint.

What does diversity actually mean?

For us it means the diversity of differences and similarities in a collective, no matter what the exact criteria are for defining these differences and similarities.

One could ask if that is diversity and what is so new about it? Hasn't there always been such differences? Of course, so what has changed about it?

Firstly, today we have become more sensitive than before. From the sensitivity we can uncover our own individual, group and organisational identities more effectively.

Secondly, diversity criteria and groups have also been multiplying like nationalities and religions in Germany.

Thirdly, fortunately diverse groups have been fighting for and benefitting from political changes and consequently are more able to define and express their identities in public such as in South Africa, equal opportunity in education, work, positions in government, etc. without any discrimination based on skin colour, background, etc. – at least theoretically!

Some diversity identities are starting to be lived and expressed more intensively, for example homosexuals coming out of the closet.

#### **Conscious diversity management**

In short, diversity management seen through economic glasses means tapping potential:

❖ *markets:* customers and their needs will be taken seriously and be perceived in

terms of offering products and services; otherwise the list of lost market chances and belated recognition of new customer needs will get longer and longer, ❖ *talents and performance of own staff:* the most valuable resource of a company in the long run is its own people with their creativity, energy, motivation, passion and contacts.

Sometimes this will mean thinking the unthinkable. As a special consequence corporations will not be able to circumvent the question of orientating management and staff for the impending changes.

Some organisations have already started preparing for increasingly diverse markets. According to the research of Thomas and Ely, these organisations' work forces and management can be characterised as having a significantly higher mental bonding and identification with their companies.

Their company cultures are characterised by an atmosphere of trust and by open discussions in which questions of dominance and subordination are directly addressed. The results are good for the bottomline. Profit rates grow!

Thomas and Ely have identified three phases which organisations generally pass through.

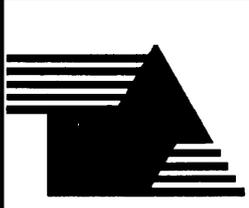
#### *Phase I: Anti-discrimination*

In the USA so-called affirmative action programmes have been federally supported. For reasons of historical fairness members of minority groups such as African-Americans, women, the disabled, etc. were given preference in hiring in government organisations.

Government aid to non-governmental organisations was made dependent on the organisation's adhering to affirmative action guidelines. For example, special leadership training was offered to African-Americans to prepare them for successful performance in organisations.

Affirmative action was based on a moral injunction to become more diverse and fair. But it did not imply that the diversity (or lack thereof) of the way things are done would change. After all, the tacit deep assumption of the supporters of affirmative action is the moral axiom: we are all the same.

The result was the unconscious expectation of assimilation. Minority group members should assimilate to the already established, organisational culture. The weakness of assimilation was that the



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organisation's ability to resolve conflict and their motivation to innovate and to learn were suppressed and consequently suffered.

Too much energy was directed at conforming and adjusting to the status quo of the organisation. Affirmative action carried the burden of being identified with quotas and extreme political correctness and it often lacked a basis for building convincing arguments from an organisational point of view.

#### Phase II: Legitimation

In this phase the assumption of sameness was turned on its head. For example, strategies were developed in business to identify different market segments based on ethnic groups as target groups; for example in Germany sales people with Turkish background would sell to customers with Turkish background.

Another prime example is the much talked about senior citizens market. Advertising campaigns are appearing in magazines for gays and lesbians. 'Insider know-how' is in demand in order to get access to particular ethnic market niches.

The disadvantage of this segmentation strategy lies in a tendency for the whole organisation not really learning very much

from the diverse ways of thinking and acting. The organisation is still not a learning organisation. It progresses in an additive, segmented way.

In these niches many members of management and staff proceed using their own strategies and the differences will be appreciated; however, the problem is that this new knowledge is not built into a network which mediates systematically the passing on of this knowledge to others (also the successors).

Consequently, the danger arises of knowledge being too segmented and not integrated in the whole leading to oversimplified generalisations and stereotyping.

#### Phase III: Learning and effectiveness

Learning and effectiveness point to a major paradigm change. More and more organisations are starting to look at diversity as a major resource. They are consciously and explicitly recruiting and hiring people of diverse identities and backgrounds.

Market strategies are being developed based on detailed enquiry into the diverse experiences and knowledge of diverse members of management and staff. Their skills and competence are utilised as com-

pletely as possible in decision making concerning new products and services, new processes and ways of structuring and new ways of functioning, operating and communicating.

They are further encouraged to disclose unique, personal and professional experiences in an atmosphere of trust, acceptance and appreciation. Slowly but surely a learning organisation takes shape.

"Yet this new model for managing diversity lets the organisation internalise differences among employees so that it learns and grows because of them ... We are all on the same team with our differences – not despite them," according to Thomas and Ely.

According to our own research, German organisations find themselves somewhere between phases I and II. In the light of this perceived economic and social stagnation in Germany, there is an enormous potential yet to be tapped in making diversity into a resource.

Where do South African corporations fit into all of this?

South Africa's market appears to the outside observer like a diamond ready for the grab. A market which is about 75% black, most of whom are young and waiting to be discovered. Of course, basic



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TOPICS	DURATION	REQUIREMENTS
1. Part Systemic Organisation Development & Transformation	2 weeks March 2005	Requirements for certification:
2. Part Entering Organisations and Structuring Organisational Transformation Interventions	2 weeks June 2005	Participation in all modules Participation in all 3 Peer Peer consulting sessions. Own transformation project
3. Part Organisational Culture, Diversity and Transformation Management	2 weeks November 2005	Final work submitted
4. Part Integration of Organisational Transformation and Management Processes, Leading Change	2 weeks March 2006 40 training days	Total cost: \$8 900 boarding & lodging included

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consumer goods are being produced and marketed with an eye on this huge majority group.

Nonetheless, the question has been neglected: what are the special consumption needs unique to this group? It is hard to overlook the fact that when we look at the work force of any corporation in South Africa, qualified blacks in middle and senior positions are hard to find. Here are three questions we feel corporate leadership should ask themselves:

- ❖ How can corporations develop a refined perception of customer needs?
- ❖ How can innovative products and services be developed for such a heterogeneous black population?
- ❖ What long term competitive disadvantages will there be for South African companies which do not open up to these new opportunities and make corresponding changes internally?

To the last question we think the answer will be that they will lose customers to those companies which produce top quality products and services in good cost-benefit ratio and which present their own identities as deeply respecting diversity in colours and other possible differences and similarities. The key word here is being authentic.

It means a deep organisational culture change for most companies. This implies, for example, that top quality products and services as well as the highest knowledge and competence of employees and management become the measure upon which opportunities, promotions and recognition depend: a measure upon which decisions are made independent of skin colour, gender, religion, etc.

What can South African (and, of course, not just South African) companies do to develop skilled diversity management which really appreciates and lives the diversity inside and also on the interface to the outside of their company? Here are ten helpful ideas.

*Analyse future markets.* Who exactly will be your customers? What will their life contexts and situations look like? What will be their needs?

Develop a special *recruitment and selection* system. The appreciation of diversity begins with advertising as an employer. For example, where do you recruit women whose qualifications fit your company needs? Where are the exceptionally talented and diverse men and women (of all colours and ethnic groups?) How can you search for them?

New sales pitches, interviewing styles and methods as well as a new kind of assessment centre need to be initiated and groomed in order to develop the knowledge and awareness needed for the selection processes, to be able to recognise these talented, often unique people.

The selection teams must also be

heterogeneous and trained in the appreciation of diversity and the recognition of talent. The assessment centre should be systematically redefined and mirror the heterogeneous cultural and life contexts on the other side of the recruitment interface.

You will probably have to add some more black recruiting colleagues to your team. Among the blacks distinctions will also have to be respected (for example black women, different language identities like Zulu and Xhosa, etc.)

A top notch *orientation programme* for new recruits must be developed and maintained, always keeping the whole company identity in mind where it must be changed or modified and where not. This is a sensitive process and must be handled with care because dealing with a company's identity is an equally sensitive issue and often deeply embedded in the subconscious.

You can lose good talent quickly due to a couple of unintended mistakes made by colleagues with good intentions. Here it is necessary to hire and train trainers and mentors who have high empathic and other social skills and who themselves have a wide variety of life experiences with diversity.

It is possible that, for example, some jobs cannot be filled because there is a significant dearth of blacks who do not meet the requirements. Here a company can make an investment in itself and train its own *human capital*.

Try going to unusual places, recruiting unusual people and training them in an unusual way for your hopefully unusual company of the future. It is not purely a matter of available talent, but rather the building of networks and relationships.

For good diversity management a company needs an extremely transparent *performance management* system which is developed in consultation with as many areas and points of view within your company. A company ethos must be clearly portrayed, expressed and lived: we are a company of fairness; we are an intact family and are strictly performance and results oriented.

*Career development:* the question cannot be ignored what one has to do to further develop employees' careers in the company and what one must not do in order not to endanger it. Now you can really begin here to select your good performers, with no regard for skin colour, etc.

Be careful though: those old basic assumptions will probably rise again spontaneously as selection criteria: coming from an elite university, an old, established, functional family, speaks perfect, diplomatic English, etc.

Take a good look at the particular diversity constellations of your *departments, teams and projects* and consider the heterogeneous competencies, talents, experi-

ences, personal attributes (like gender, skin colour, etc.) and professions. This kind of detailed knowledge will facilitate the likely creation of innovative ideas in customer relations.

As soon as you perceive even a trace of staff evaluation which is not performance oriented, i.e., when you perceive discrimination or devaluation based on *personal attributes*, confront it and set it straight immediately.

Use the contexts of personal talks, team development, coaching and, if need be, stronger approaches like warnings with real, impending consequences (like firing).

Nobody is perfect, but when a colleague clearly opposes the basics of the company culture valuing diversity (which means also strict performance orientation) and does not want to change or adapt to it, he or she simply does not fit in.

To develop and maintain such a strong company culture there has to be an equally strong and clearly formulated *company strategy* which includes diversity as essential.

After all, diversity is your long term economic resource. Formulate this strategy in the framework of processes including as many and various staff members as possible together with a correspondingly diverse customer make-up.

Develop your *top leadership team* with genuine role model performance which convinces that diversity serves the needs of the company and is an essential part of its identity. Make sure that this team is itself heterogeneous – multicoloured and diverse coupled with the highest performance not just with one or two token blacks or women.

One of the most important goals of the company should be to maintain a communication and behaviour style in an atmosphere of authenticity, pointing to clear efforts towards diversity and inclusion based on performance.

In any company there is certainly an attitude question here. The company has to want to change because everybody acknowledges the need for change in order to grasp those impending opportunities in increasingly diverse market place. The new chances are increasing in frequency — not decreasing.

Diversity management is not just a soft skill dealing with the moral refinements of fairness. It is not an affirmative action programme with crazy quotas; rather it means new markets, new customers, new users of your products and services.

It means the careful analyses of the needed changes in the company identity. It means the open, inclusive, creative company culture respecting the uniqueness of everybody and tapping the resources of its employees. And believing in strict performance as reference point. Herein lies the challenge of the future! ■