

# Leadership *in* Action

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## Leveraging Diversity: It Takes a System

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**I**n an increasingly competitive business environment, the ability of organizations and their leaders to recognize and employ every available advantage is critical to success. Leaders often confine their attempts to gain a competitive advantage to the obvious nuts-and-bolts areas: product design, manufacturing, technology, marketing, distribution, customer service, and so forth. Their aim is to focus their organizations' strategies and activities on creating value that surpasses the value offered by their competitors.

That, of course, is a legitimate and worthwhile goal. However, too many organizations and leaders overlook an ace in the hole for creating value: managing the diversity of the workforce in a way that maximizes the talents and intellectual capital of all their employees.

There is no debating that the profile of diversity issues has risen dramatically in the past decade. The challenge is no longer the creation of diverse organizations; they are evolving naturally because of changing demographics. Too often, however, leaders continue to view diversity as a thorn in the side, as a potential source of distress for the organization rather than a source of strength. Their efforts to deal with diversity are reactive instead of proactive. They may merely try to toe the line of political correctness. Even when they take a concentrated, relatively thoughtful approach to implementing diversity initiatives, they are often snared in the pitfalls dug by common misunderstandings about such initiatives (see sidebar).

### The Dangers of Neglect

Leveraging diversity has become a business imperative. Accomplishing it brings many benefits to an organization: it increases productivity, efficiency, and quality; boosts morale and reduces grievances; and enhances problem-solving and decision-making abilities through the inclusion of multiple perspectives.

The dangers of not valuing and leveraging diversity are evident in several high-profile examples from the past decade. In the early 1990s, the refusal of the top management at Denny's to address discrimination problems led to class-action and federal lawsuits that the company settled for tens of millions of dollars. In 1997, Texaco settled for \$176 million a class-action lawsuit that claimed the company had a racist corporate culture and discriminated against minorities in pay and job promotions. In 1998, Mitsubishi Motors settled for \$34 million a lawsuit

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### Diversity Initiatives: What Can Go Wrong

Organizations have had years of experience with diversity initiatives, and their efforts have revealed some kinds of inappropriate or inadequate leadership that can prevent an organization from leveraging diversity:

- Leaders can't "do" diversity, because diversity is a state of being. Aids such as booklets of suggestions may contain some helpful ideas but they can go only so far. They can't teach something that simply "is."
- Leaders who go through diversity awareness and sensitivity training will find it difficult to apply what they have learned if there is no direct support from the organizational culture.
- Diversity awareness is a good beginning but is not enough to leverage diversity. Leaders often lack the skills or guidance to go beyond awareness and to apply initiatives effectively in the workplace.
- Leaders who feel they are being exploited by diversity awareness training will resist and resent it. This can result in backlash that is harmful to the organization. Again, diversity initiatives must be fully supported by the organizational culture.
- Leaders often are more interested in being *perceived* as experts in dealing with diverse groups of people than they are in gaining new understanding about people different from themselves. If leaders are unwilling to learn, no amount of diversity awareness training will unseat their preconceived beliefs about different cultures and people.

by female assembly-line workers who said they were sexually harassed and that managers turned a blind eye to it. And late last year, Coca-Cola agreed to pay \$142.5 million to settle a discrimination suit by African American workers.

All these companies have since made strides in respecting and valuing diversity. But their experiences illustrate what can happen when organizations and their leaders adopt minimalist strategies to deal with diversity issues.

Some organizations go only so far as to attempt to meet Equal Employment Opportunity Commission and affirmative action requirements. (Most of these requirements are laid out in Title VII of the Civil Rights Act of 1964, which prohibits discrimination based on gender, race, color, or religion; the Age Discrimination in Employment Act of 1967; and the Americans with Disabilities Act of 1990.) Other organizations take

their strategies further, perhaps sending their employees through cultural awareness training or hiring a diversity expert who is a member of a minority. But these efforts are often merely symbolic—exercises in going through the motions (in order to avoid, limit, or control the consequences of diversity) rather than long-term processes that change organizational culture by embracing diversity and using it as a source of improvement. In other words, organizations may be fond of slogans such as "We are only as good as our people," but such catchphrases often are no more than lip service.

### Searching for Structure

At the Center for Creative Leadership and in private consulting practices, we have worked with numerous leaders who make decisions about diversity awareness and management. We have found that the diversity measures taken by most organizations are at best only part of what they should be doing and at worst only damage control or stopgaps. To effectively leverage diversity, to ensure that all employees reach their full potential and make their maximum contributions to the organization and its mission, leaders need to take a structured approach. Bringing

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out the creative problem-solving energy and superior decision-making capabilities that diversity makes possible means aligning employee beliefs and cultures with those of the organization, and that can be accomplished only through a comprehensive systems design.

We have developed such a structure, which we call the Diversity Resource System (DRS). Using this practically oriented framework, which we outline and describe in this article, organizational leaders can bridge the gap of differences among people and align those differences with the organizational culture and business objectives.

The DRS is a dynamic, flexible system that organizations can use to maximize their employees' talents. The system has three components: cultural elements, leadership elements, and connectivity elements. In essence, with the assistance of the leader, the organization creates a culture and a learning environment that support both the leveraging of diverse resources and the organization's business



processes. For the system to succeed, the interaction between the three components needs to be understood and mastered.

One of the biggest advantages of the DRS is that it can be used not only by organizations with long-established workforces but also by organizations whose workforces have undergone recent changes. If a company has acquired or merged with another company or has started to do business overseas, for example, its organizational identity will be affected and it will need to adjust its strategy for managing diversity. If the company does not, such changes may result in business initiatives with conflicting goals, misaligned business processes, a loss of talent, and the mismatching of talent and jobs.

### Cultural Elements

The context in which a leader exerts influence in a diversity initiative is the organizational culture—the underlying values, beliefs, and principles an organization holds that serve as a foundation for its management system, practices, and behaviors.

Organizational culture has historically been a slippery concept to grasp, however, because the priority that organizations give to their cultures changes frequently. In the 1980s, for instance, many companies relegated culture to a finite rating on a scale from “least important” to “very important.” Even when organizational culture—and, by extension, its capacity for promoting diversity—was considered “very important,” however, it was generally not considered a priority for adding value to a business’s bottom line. Discussions about organizational

## The shift toward diversity will continue to have profound effects on organizational cultures.

culture and diversity were generally thought of as theoretical abstractions related to the “soft” side of the business, and initiatives in these areas typically received little attention or funding.

Under the DRS, it is important to define organizational culture because the changing makeup of an organization’s workforce can alter perceptions of the culture. According to federal statistics, women and minorities now make up more than four-fifths of the labor force, and the Employment Policy Foundation predicts that the percentages of whites

and males in the labor force will continue to drop into the twenty-first century and the percentages of women and minorities will continue to rise.

This shift toward diversity has had and will continue to have profound effects on organizational cultures—on the traditions, customs, symbols, norms, values, and other elements that form the core of organizations’ identities. Organizations will have to be dynamic in order to flex as these changes occur.

### Leadership Elements

Although an organization may give structure to its employees through established business and cultural processes, it is the leader who gives employees a sense of direction, meaning, and purpose so they can navigate through the corporate waters. It is the leader who influences and adapts the organizational culture to maximize the available human resources. To do this effectively, leaders must be able to recognize and use the full potential of all the diverse individuals in their organizations. Leaders who do this effectively are *functionally diverse*.

Functionally diverse leaders can keenly perceive differences among people and the potential contributions of those differences to teams and to the workforce. Conversely, the inability to perceive those differences and potential contributions is a liability for leaders and their organizations.

Functional diversity is the highest of five stages of diversity development through which leaders may pass. In this fifth stage, there is alignment among all the elements of the DRS, whereas in the first four stages, this alignment is lacking or incomplete:

*Indirect exposure.* In this first stage of diversity development, leaders are practically oblivious to diversity issues. Their awareness of differences among people is limited by, and to, their immediate environment. Their criteria for understanding and relating to people different from themselves are based on stereotypes or superficial information that has not been tested or challenged.

*Direct exposure.* In this stage, leaders have significant contact with people different from themselves. The contact may be friendly or antagonistic. Either way, this is the first time the leaders acknowledge or challenge preconceived notions about people different from themselves. Their criteria for understanding and relating to those people are derived from personal contact and information received from the people themselves.

*Pseudo-diversity.* Leaders begin to intellectualize their awareness of diversity issues, such as



injustices suffered by people different from themselves. However, their relationships with people different from themselves are marked by contradictions between what they say and what they do. Their criteria for understanding and relating to others are based on political correctness in this stage. They can recognize inconsistencies—preconceptions about others, such as prejudices, that aren't backed up by experience—in other people but not in themselves.

*Diversity consciousness.* Leaders become aware in this fourth stage of how inconsistencies such as prejudices—both their own and those of others—develop and are reinforced. They recognize that diversity is about more than just numbers; it is an ongoing learning process. Their criteria for understanding and relating to people different from themselves move from an external

orientation, in which the focus is on other people, to an internal orientation, in which the focus is on themselves.

*Functional diversity:*

In the fifth stage, leaders develop realistic plans for affirming differences among people. They recognize and accept their role in creating environments

that successfully and efficiently manage diversity. They are able to accurately assess the effects that diversity has on interactions among people and then use appropriate skills and methods to maximize the benefits of diversity. Finally, their criteria for understanding and relating to people different from themselves are based on a commitment to self-development.

To reach the fifth stage, leaders must have a high capacity for learning. Yet most companies do not reward or place a high priority on the ability to be a *master learner*. Instead they tend to judge a leader's value by his or her degree of expertise in a specific content area. Naturally, leaders who believe that their value to an organization is based on their expertise are hesitant to concede that they need to learn anything at all. Consequently, the perception that content experts are more valuable than master learners can impede the process of reaching functional diversity.

Two of the elements necessary to be an effective learner are self-awareness and self-monitoring:

*Self-awareness.* Without knowledge of self, leaders will usually be part of the problem rather than part of the solution for organizations. Self-awareness helps leaders avoid the mistakes that can derail a diversity initiative. One way for leaders to develop self-awareness and put it into practice is through leadership training programs. Although

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self-awareness by itself does not necessarily produce the changes in leadership style that may be necessary to effectively leverage diversity, it does give leaders more data to examine through self-monitoring.

*Self-monitoring.* Self-monitoring by leaders is crucial for organizations striving to leverage diversity. It often is assumed that diversity training alone will produce an awareness of diversity sufficient to get leaders to change, provided those leaders are motivated to do so. However, without proper self-monitoring, newfound insight is no guarantee of behavioral change. Self-monitoring helps leaders pinpoint where and when to change behaviors that are detrimental to their leadership styles in general and to managing diversity in particular.

Leaders' use of self-awareness and self-monitoring helps them increase what we have termed the Relational Quotient™, which is integral to getting the DRS on track. The RQ comprises eight factors, or abilities, that help a leader pull diverse people together into teams and communicate and work together effectively. No one ability by itself is sufficient to create an RQ that gives a leader enough impact and influence to maximize all employees' talents. A leader reaches the stage of functional diversity only with an interrelationship among all eight factors:

1. The ability to see the strengths and weaknesses of each employee.
2. The ability to see relationships, patterns, and connections among seemingly divergent people and thoughts.
3. The ability to understand other people's situations in the context of their environments—that is, a high degree of empathy.
4. The ability to attain and use the skills required to handle and effect change.



5. The ability to create an environment that is optimal for people's learning and working together.
6. The ability to analyze accurately the impact that various people have on processes and outcomes.
7. The ability to balance processes and outcomes.
8. The ability to be a tool for change and for the development of human resources.

#### Connectivity Elements

To complete the DRS and fully leverage diversity, a bridge must be built between the cultural and leadership elements and the organization's intellectual capital. When this bridge is completed, diversity will be seen as an asset rather than a problem. There are four elements, or tools, that leaders and organizations can use to form this connection:

*Vision clarity.* The leader must know where the organization is headed (although not necessarily how to get there). Leaders use this tool to give a sense of meaning and inspiration to the workforce.

### Diversity issues must be separated from unrelated business issues.

Vision clarity is critical to enabling employees to identify with the organizational culture and to feel valued by the leader.

*Power sharing.* Empowerment of all human resources is still resisted by many organizations, but it is a critical part of the bridge that must be built if diversity is to be leveraged. Without the sharing of power, some employees will feel disenfranchised.

*Problem identification and assessment.* Diversity issues must be separated from unrelated business issues. If they are not, the unrelated issues will be a roadblock on the bridge to leveraging diversity.

*Coaching and feedback.* This tool is used to create a working environment that is both supportive and challenging for all employees in an organization. This balance of support and challenge stimulates learning and creates opportunities for individual growth.

#### Conclusion

At a recent diversity conference at CCL, virtually all the participants—researchers and experts in the field of diversity as well as business leaders—agreed that most organizations value diversity. However, the

participants also agreed that because of competing priorities, lack of time to devote to the issue, confusion about how to deal with diversity, and misguided approaches to diversity training, most organizations do not take full advantage of their diversity. Because of this, creative energy suffers, and creativity is critical to success in a competitive business environment.

Thus one of the major challenges that leaders and organizations face is to undergo long-term, systemic change that establishes functional diversity: respecting, valuing, and maximizing the differences that people bring to the workplace. If organizations can leverage diversity, they can take full advantage of their creative abilities and gain a competitive edge.

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