Diversity and Organizational Development

Impacts and Opportunities

Jennifer Kuklenski

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Diversity and Organizational Development: Impacts and Opportunities

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INVESTOR IN PEOPLE

For Alex, Jenna, Paige, and Teigan

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List of Abbreviations

AA	Affirmative action
AR	Authority ranking
CS	Communal sharing
CSR	Corporate social responsibility
CVS	Chinese Value Survey
D&I	Diversity and inclusion
D&IOD	Diversity and inclusion organizational development
EAP	Employee assistance plan
EEOC	Equal Employment Opportunity Commission
EM	Equality matching
ESG	Environmental, social, and governance
EU	European Union
HR	Human Resources
IDV	Individualism
ILO	International Labour Organization
IRIC	Institute for Research on Intercultural Cooperation
IVR	Indulgence versus restraint
LTO	Long-term orientation
MAS	Masculinity
MCOD	Multicultural organizational development
MP	Market pricing
OD	Organizational development
OECD	Organization for Economic Cooperation and Development
PDI	Power distance
PRI	Protestant Relational Ideology

SRI	Socially responsible investment
STEM	Science, technology, engineering, and mathematics
UAI	Uncertainty avoidance
UN	United Nations
US	United States
USSR	Union of Soviet Socialist Republics
WHO	World Health Organization
YEN	Young Employee Network

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The contents of this book span nearly 15 years of education, work, and research on diversity, inclusion, cross-cultural communication, and intercultural relationships in communities and organizations. Accordingly, my acknowledgments are directed toward those who helped me complete this book, as well as those who have informed my understanding of social justice issues, shaped my worldview, and inspired my practice.

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Chapter 1

Introduction

> As individuals we can accomplish only so much. We're limited in our abilities. Our heads contain only so many neurons and axons. Collectively, we face no such constraint. We possess incredible capacity to think differently. These differences can provide the seeds of innovation, progress, and understanding. (Page, 2007, p. xxx)

The Diversity Imperative

The modern workforce is changing. Demographic shifts, as well as changes in cultural and social attitudes, have resulted in an unprecedented level of workers from historically marginalized and underrepresented groups in the labor market. The proportion of the workforce that is aging, disabled, ethnically or racially diverse, female, LGBTQ, and members of political or religious minorities is growing. This new workforce critically evaluates how organizations are addressing their needs, responding to their presence, and relating to them. At the same time, the business world has gone global. Declining transportation and telecommunications costs have combined with trade liberalization, capital mobility, and globalizing markets to integrate economic activity around the world (Mor Barak, 2017). Work in practice has also become more team oriented. These developments have led to unparalleled levels of interpersonal encounters between people of diverse backgrounds. Indeed, "the homogenous hierarchy has given way to the diverse team" (Page, 2007, p. xxvii). Diversity and inclusion (D&I) are therefore considered among the most important factors related to contemporary organizational success. Indeed, a recent survey conducted by the Organizational for Economic Cooperation and Development (OECD, 2020a) found that 85% of Human Resources (HR) managers reported that diversity has gained importance in their countries over the last several years.

Activism from worldwide social justice movements has also increased awareness about the historical social structures that have created systemic marginalization of certain groups. Full participation of diverse groups in organizations has become an ethical imperative. Upholding the principles of equity, fairness, and mutual respect is an important part of organizational strategy in its own right, regardless of the impact they have on economic returns (Cox, 2001). Organizations can be a catalyst for social change when it comes to D&I simply because

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work is the only place where people have a monetary incentive to address the issues and challenges associated with diversity. Organizations can incentivize employees to achieve a certain level of diversity competency in order to remain employed or earn promotions. Moreover, work is the one place where, after secondary or postsecondary education is completed, we do not get to choose who we spend our days interacting with. In our personal lives, most people choose to interact with groups of people who they perceive as like themselves. They spend their free time with people who have similar interests, socioeconomic backgrounds, and social identities. At work, people do not have as much freedom to choose their coworkers or team members. Moreover, people spend a great deal of their time at work and exposure to diverse beliefs, practices, perspectives, and values at work has the power to influence worldviews outside of work. Organizations therefore present an unmatched opportunity to be change makers at a time when change is in great demand.

With that said, there is an economic case that supplements the social justice obligation to promote inclusion and equal opportunity (OECD, 2020a). Research demonstrates that well-managed D&I initiatives can add value to organizational output through increased creativity and innovation, stronger problem-solving, improved organizational flexibility, greater access to new markets, and better attraction of top talent (Bell, 2017; Cox, 2001; Cox & Blake, 1991; Page, 2007). A diverse workplace brings together people with unique tools and resources available for addressing organizational needs. When people are put into diverse groups, they also tend to think more critically about alternative options because they expect to be asked to defend their ideas and perspectives (Nameth, 1985, 1986; Phillips, 2014). Diverse groups are therefore less likely to fall victim to group think than homogenous groups and are more likely to come up with innovative solutions. Moreover, organizations that limit their talent pools tend to observe lower productivity from workers of all social identity groups, even those from groups that are considered "preferred" or privileged (Bell, 2017, p. 16). It should come as no surprise that a culture of exclusion is demotivating, and the most talented workers tend to avoid discriminatory or otherwise exclusive organizations (Wright, Ferris, Hiller, & Kroll, 1995).

Too often though, organizations pay lip service to diversity without really living it (Llopis, 2011). They do not make the kind of investments necessary to capitalize on the benefits of D&I. People continue to feel left out, excluded from organizational opportunities and performance. Bias – conscious or unconscious – and subtle prejudice infect hiring, professional development, and promotion decisions. Discrimination lawsuits continue to be filed. For instance, the US Equal Employment Opportunity Commission (EEOC) received 72,675 charges of workplace discrimination during the 2019 fiscal year (EEOC, 2020a). Over 65% of those charges were race or gender-based discrimination. The German Federal Anti-Discrimination Agency (ADS) reported 3,580 discrimination cases in 2019 (Bosen, 2020). Similarly, cases of gender and ethnicity-based discrimination were the most common, making up 62% of all complaints received. Such complaints and litigation continue even though most democratic and many nondemocratic countries ban job discrimination based on at least a few categories of diversity,

including gender, ethnicity, and race. Covert discrimination is perhaps even more problematic because it is more subtle, more difficult to identify, and more likely to occur when policies to combat overt discrimination are made salient within an organization (Lennartz, Proost, & Brebels, 2019).

Exclusion, which may be intentional, unintentional, or both, is costly for organizations. The most obvious costs associated with discrimination cases are those related to litigation and legal settlements. The total financial costs associated with exclusion extend well beyond legal fees and awarded damages though. Bradford (2004) found that the average loss in organizational value associated with discrimination cases is over 41 times the estimated damages of litigation. Workplace exclusion can lower morale and motivation, which can in turn lead to greater levels of voluntary and involuntary turnover. Costs associated with turnover vary depending on the skill level required for certain jobs, but on average, turnover costs organizations between 20% and 30% of an employee's annual salary (Burns, 2012). The cost is considerably more for high-level management positions. The fact that top talent tends to avoid discriminatory organizational increases the difficulty associated with filling vacant positions. Stock prices might also be negatively impacted by public information about organizational exclusion because investors may assume that discriminating firms have a less talented workforce (Dipboye & Colella, 2005).

An Organizational Development Approach to Diversity and Inclusion

Some organizations have intentionally diversified their workforce. They have implemented specific programs and policies to enhance recruitment of employees from historically underrepresented groups, either because of regulatory mandates or through voluntary corporate social responsibility programs. Others have become more diverse unintentionally. Regardless of how they've diversified, organizations are scrambling to "manage" the different beliefs, practices, perspectives, and values that employees of diverse backgrounds bring with them to work. The idea that diversity needs to be managed, however, is part of the problem. Becoming an inclusive organization requires that leadership reconsider the development process. Rather than view diversity as something that can be assembled and controlled according to an established agenda, organizational leaders must realize that as members of cultural and social identity groups themselves, they are part of the shared process of sensemaking (McLean, 2013). Leaders indeed contribute to, even perpetuate, cultural interpretations, perspectives, and narratives just like everyone else (McLean, 2013). They can be subject to the same biases, blind spots, and prejudices.

Organizations must also move away from the idea that diversity is a HR-driven program. Although evolving, the HR field has traditionally been very process-compliance oriented. HR professionals are necessarily concerned with the efficient management of the employment process and mitigating employment-related risks (Wride, 2020). In this sense, HR plays a support role to other

business units. HR diversity programs can be powerful, especially in terms of teaching employees about respectful workplaces. However, these programs often lose momentum because employees do not view them as an essential activity or responsibility (Heistad, 2013). Without frequent, ongoing reinforcement, employees become disinterested. They grumble that D&I training is not a part of their job description and that that it therefore reduces their productivity.

Organizational Development (OD), on the other hand, is a field of research, theory, and practice that seeks to expand knowledge and improve the effectiveness of people to accomplish organizational change and improve performance (Butterfoss, Kegler, & Francisco, 2008). It is a "collection of change methods that try to improve organizational effectiveness and employee well-being" (Robbins & Judge, 2017, p. 613). OD applies behavioral science in a continuous process of diagnosis, action planning, education, implementation, and evaluation to improve individuals and systems. The goal of OD is to transfer knowledge and skills within organizations in order to improve capacity to solve problems and manage future change (Butterfoss et al., 2008).

OD methods value a spirit of inquiry, human and organizational growth, and participative processes (Robbins & Judge, 2017). They place heavy emphasis on the subjective ways people within organizations see and make sense of their work environment (Robbins & Judge, 2017). An OD approach to D&I means that programs are woven into the fabric of all facets of organizational culture and operations (Heistad, 2013). Because diversity is often a deeply personal topic for employees, diversity and inclusion organizational development (D&IOD) tends to be a dynamic and often emotional process that can take longer than some other OD initiatives (Heistad, 2013). Diversity's richness and dynamism means that there is no identifiable end point where employees and leaders can proclaim to have learned it all. Indeed, the process of building tolerance and respect for differences can be a lifelong endeavor (Heistad, 2013). Although this work is not easy, it is worthwhile. This book demonstrates how well-managed D&I initiatives can result in positive performance outcomes for organizations, in turn increasing overall organizational productivity and competitive advantage. Further, this book reveals why D&I should be a part of organizational culture and strategy for which every employee is responsible, from top-level management to entry-level and part-time positions.

Overview of the Book

This book begins with some context. Chapter 2 describes global demographic shifts and national labor force trends that have led to a more diverse workforce. In developing countries, diversity is largely a result of foreign employers looking to capitalize on a growing workforce (Mor Barak, 2017). Better access to health care and medicine, as well as education, has led to an unprecedented level of people willing and able to work in developing countries. Indeed, most of the world's population growth since the 1950s has been observed in developing and industrializing countries. Moreover, most of the population growth has been

among the working age population. Between 1950 and 2010, the global population ages 15–64 grew from about 1.5 billion to 4.5 billion (Pew Research, 2014a). Local economies in developing countries have been unable to absorb these large increases in the workforce. Multinational organizations have stepped in to help fill the local employment–unemployment gap, but many people have chosen to emigrate to find jobs.

In more developed countries, increase in workforce diversity is primarily due to an aging and stabilizing population. Access to birth control and family planning services, as well as the improved status of women, has led to decreasing population growth since the 1950s. Fertility rates in Europe, for example, are below population replacement levels in every country (Hobbs, 2017). To maintain current economic levels, developed countries have grown their labor force through immigration and the employment of less traditional workers. At the same time, workplace diversity is increasing partially because people with nontraditional lifestyles, functional disabilities, or historically marginalized social identities have become more accepted and empowered through policy prescriptions and shifting sociocultural attitudes.

Chapter 3 explores the meaning of diversity. As with so many concepts in the social sciences, there are numerous recognized definitions of diversity among organizations, both nationally and internationally. Through a comparison of narrow and broad category-based definitions, Chapter 3 offers an instrumental definition of diversity that takes into consideration the positive and negative social consequences associated with group memberships that are often rooted in social identities. In contrast to the "we are all diverse" approach that has become popular in some circles, this definition addresses the beneficial and harmful employment outcomes that may stem from someone's identified diversity characteristics. Chapter 3 also distinguishes between explicit and implicit levels of diversity attributes. Indeed, diversity attributes extend beyond easily observable characteristics. Moreover, the levels of diversity are not necessarily mutually exclusive (Chatman & Flynn, 2001). The multidimensional framework of diversity therefore helps explain how diversity attributes may intersect and overlap, in some cases creating a convergence of oppression (Boston, 2017; Crenshaw, 1989). These attributes may influence or be influenced by the condition of another and based on these interactions, people may experience varying levels of privilege or marginalization in the workplace.

Chapter 3 distinguishes between trivial differences between people, such as tastes in food or music, and differences that signify a much deeper layer of how people understand themselves and the world around them. Chapter 4 further explores this deeper layer of differences in terms of cultural differences. Culture is explained as a collectively learned phenomenon that is shared among people who live or have been influenced by the same social environment (Hofstede, Hofstede, & Minkov, 2010). This "historically transmitted pattern of meaning" is embodied in the attitudes, beliefs, symbols, practices, and values through which people communicate, convey meaning, and make sense of the world (Geertz, 1973, p. 89). Chapter 4 introduces Geert Hofstede's (1983) dimensions of national culture, which have received wide acclaim for helping advance understanding of

and sensitivity toward cultural diversity in organizations. Although not without criticism, Hofstede's pioneering work has been exceptionally influential in helping organizational leaders realize the tenacity of deep-rooted mindsets influenced by cultural value systems. It revealed the necessity to adapt management practices to norms and values upheld by people of diverse cultural backgrounds (Mor Barak, 2017).

Chapter 4 also examines diversity in communication. The success of interpersonal interactions in diverse organizations depends heavily on the extent to which messages can be clearly received and understood by people of different cultural backgrounds. People of a particular culture share a communication system that helps them convey information, feelings, knowledge, and thoughts through actions, behavior, speech, and writing (Wild & Wild, 2016). Anthropologist Edward T. Hall (1976) distinguished cultural communication systems along dimensions of high-context and low-context. Hall's framework is particularly valuable for understanding cross-cultural situations and operational environments. It can help people within organizations understand the extent to which verbal and nonverbal communication is used to convey meaning, as well as the importance of relationships compared to the task at hand.

People from different cultures have different "construals" of the self and others (Markus & Kitayama, 1991, p. 224). The way they perceive, comprehend, and interpret the world around them, especially the actions or behaviors of others toward themselves, influences their individual experiences, emotions, and motivations. Accordingly, Chapter 5 explores cognitive diversity. Starting with the concept of social cognition and the nature of attitudes, Chapter 5 shows how social perception changes according to our experiences. Indeed, exposure to different stimuli shapes the lens through which we view the world (Shiraev & Levy, 2007). Relational models theory posits that people in all cultures use some combination of four mental models – authority ranking, communal sharing, equality matching, and market pricing – to organize nearly all of their interactions (Fiske & Haslam, 2005). In organizations, they shape a variety of behaviors, including verbal and nonverbal communication, employee engagement, teamwork, and relationship-building. Relational mental models therefore help organizational leaders understand what motivates people of diverse backgrounds and how they contribute. Relational styles might also be used to identify organizational behavior issues related to diversity, including precursors of prejudice and discrimination.

Chapter 6 examines stereotypes, prejudice, and discrimination as manifestations of social exclusion. Humans form groups to help govern and simplify social interactions. Groups to which we belong are our in-groups and groups to which we do not belong are out-groups (Shiraev & Levy, 2007). Social psychology research suggests that people's sense of self is at least partially a result of social comparisons between in-groups and out-groups (Abrams, 2001; Tajfel, 1974). People classify themselves into meaningful social categories that shape the way they interact with others from in-groups and out-groups (Tajfel, 1978; Tajfel & Turner, 1979). Because these social categories tend to be associated with positive or negative value connotations, people evaluate their in-groups and out-groups in

terms of value associated with attributes that characterize each (Tajfel & Turner, 1979). In doing so, they tend to exaggerate similarities within groups and differences between them. As individuals seek to achieve and maintain positive social identity, they tend to more positively evaluate their in-groups. The need for positive self-concept may lead to stereotyping, prejudice, or discrimination against out-groups (Tajfel & Turner, 1979).

Exclusion is described as a tendency to reserve favors, privileges, sacrifices, and services for people from one's in-groups (Hofstede et al., 2010). Exclusion can occur at multiple institutional levels. At the organizational level, exclusion means that certain people have less access to information networks, job opportunities, professional development, and decision-making processes. People cope with exclusion in a number of ways. They may try to hide or improve the status associated with their social identity (Mor Barak, 2017). Unfortunately, they may also come to view the exclusion as natural or even preferred (Hoff & Walsh, 2018). Chapter 6 concludes by detailing the economic and financial costs associated with exclusion, at both the national and organizational level. At the national level, the economic costs of social exclusion are largely due to losses in human capital wealth and GDP growth. At the organizational level, social exclusion can lead to lower loyalty, morale, motivation, and productivity among employees, as well as higher employee turnover and a tarnished reputation among stakeholders. All of which hurt an organization's financial bottom line.

Chapter 7 details the benefits associated with D&I. As briefly discussed above, well-managed D&I initiatives can add value to organizations in five primary ways: (1) increased creativity and innovation; (2) improved problem-solving; (3) greater organizational flexibility; (4) access to new markets; and (5) attraction of better talent (Bell, 2017; Cox, 2001; Cox & Blake, 1991). Chapter 7 also demonstrates how well-managed D&I programs can fit into an organization's broader corporate social responsibility (CSR) strategy. Contemporary organizations are innately connected to their consumers, employees, and the communities in which they operate (DBP, 2020). Accordingly, organizations have an opportunity to build a better society by making a sound commitment to improving quality of life for their employees, their employees' families, and the members of their surrounding community (Rothbardt, 2013). The need for different perspectives and new voices in organizational strategy is intrinsically linked to the growing number of diverse stakeholders. Organizations that successfully link their CSR efforts with their D&I initiatives under a unified strategy are therefore more likely to be successful on both fronts (Wittemyer, Nowski, Ellingrud, Conway, & Jalbert, 2018).

Chapter 8 examines the specific programs, policies, and strategies that can be used to develop a more inclusive workplace. Paying special attention to the groups that have historically had more limited access to employment and professional development opportunities, diversity management looks at organizational actions that can create a more welcoming and inclusive environment for employees of diverse backgrounds. Recruiting for diversity involves diversifying the talent pool as well as increasing diversity competency among current employees. Perhaps more importantly, diversity management involves

interventions that are meant to retain diverse talent. One of the first interventions recommended by managers is usually training. Indeed, nearly all Fortune 500 companies and nearly half of all midsize firms require some sort of diversity training (Dobbin & Kalev, 2016). While such training does improve D&I outcomes, the positive effects of diversity training may last for only a short amount of time. Moreover, some research suggests that diversity training may actually increase bias or spark backlash if improperly implemented (Dobbin & Kalev, 2016). Diversity training is therefore not enough to create an inclusive organization. Onboarding and mentoring also play an important role, as do conflict management programs and changes to evaluation and grievance procedures.

Diversity management is just one piece of inclusive OD. The inclusive OD process involves moving from dominating organizations, which value and perpetuate the beliefs, practices, and perspectives of only one privileged group, to integrating organizations, which value and include those of diverse groups at every organizational level. In practice, inclusive OD involves assessing organizational readiness, action planning, implementation, and evaluation. Meaningful organizational change will happen only if a clear vision of inclusion is articulated, goals are linked to organizational success, and someone (or a group of people) are designated as caretakers who facilitate and monitor the change process (Jackson, 2014).

Inclusive leadership is of utmost importance. According to Bourke and Titus (2020), what leaders say and do makes up to a 70% difference in whether individuals feel included. They analyzed leadership assessments of more than 400 leaders by nearly 4,000 raters, finding that awareness of personal and organizational biases was the number one factor that mattered most to people when rating their leaders. Earlier research by Bourke and Dillon (2018) found that teams with inclusive leaders were 17% more likely to report high performance, 20% more likely to report making high-quality decisions, and 29% more likely to report collaborative behavior. In multinational environments, Chapter 8 explains that inclusive OD also involves addressing the challenges associated with ethnocentrism, cultural or moral relativism, and the temptation of universalism.

Chapter 9 illustrates how organizational culture can be leveraged to create more inclusive organizations. Organizational culture powerfully influences the attitudes and behaviors of its members, which in turn impacts organizational effectiveness and strategic performance (Cameron & Quinn, 2011; Robbins & Judge, 2017). The ways an organization does things are accepted and often deeply embedded in members' understanding of how tasks should be accomplished. Great cultures provide continuous alignment to organizational mission, vision, and purpose (Baumgartner, 2020). Employees today want to feel that the work they are doing for an organization is making a positive difference (Baumgartner, 2020). Organizational culture can be used to align people around a common cause, creating a shared sense of identity and commitment to something greater than one's self. Indeed, strong organizational culture helps members develop a sense of shared meaning that distinguishes them from members of other organizations. Uniting people around a common cause is especially important in diverse