

Integrating diversity management initiatives with strategic human resource management

Ronel Erwee
University of Southern Queensland
Australia

Erwee@usq.edu.au

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Introduction

Managing diversity is usually viewed in broad conceptual terms as recognising and valuing differences among people; it is directed towards achieving organisational outcomes and reflects management practices adopted to improve the effectiveness of people management in organisations (Kramar 2001; Erwee, Palamara & Maguire 2000). The purpose of the chapter is to examine the debate on how diversity management initiatives can be integrated with strategic human resource management (SHRM), and how SHRM is linked to organisational strategy. Part of this debate considers to what extent processes associated with managing diversity are an integral part of the strategic vision of management. However, there is no consensus on how a corporate strategic plan influences or is influenced by SHRM, and how the latter integrates diversity management as a key component.

The first section of the chapter addresses the controversy about organisations as linear, steady state entities or as dynamic, complex and fluid entities. This controversy fuels debate in the subsequent sections about the impact that such paradigms have on approaches to SHRM. The discussion on SHRM in this chapter will explore its links to corporate strategy as well as to diversity management. Subsequent sections

propose that managing diversity should address sensitive topics such as gender, race and ethnicity. Finally, attention is given to whether an integrative approach to SHRM can be achieved and how to overcome the obstacles to making this a reality.

Strategic management in a turbulent world

The first challenge is to clarify the different approaches to organisational strategy as they affect both SHRM and the management of diversity. Strategic management is usually understood as the formulation, implementation and evaluation of cross-functional decisions that enable an organisation to achieve its objectives (David 2001; Hubbard 2000). Strategy formulation includes developing a mission and vision, identifying external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing particular corporate- or business-level strategies on which to focus.

During strategy implementation, employees and managers are mobilised to set annual objectives, devise policies and allocate resources to achieve objectives. Managers are required to develop 'a strategy-supportive culture, create an effective organisational structure, prepare budgets, develop and utilise information systems and link employee compensation to organisational performance' (David 2001, p. 6). Strategy evaluation reviews external and internal factors on which current strategies are based, measures performance and takes corrective action.

It is usually during the strategy implementation phase that issues such as leadership, people, culture and change management are incorporated, and these issues form the link between strategy implementation and the concept of SHRM. As Hubbard (2000) observes, 'Leadership is one of the elements in determining whether or not an organisation can carry out its chosen strategy', and 'the introduction of a new CEO will often lead to a change in the required information systems, a restructure of positions, some changes in the key personnel reporting to the CEO, a change in one or more of the key values of the organisation and different use of the communication vehicles available' (pp. 213–14).

If the first challenge is to clarify different approaches to organisational strategy, a related issue is the traditional view of strategy formulation and implementation as a linear but dynamic process that evolves over time (Kramar, McGraw & Schuler 1997). It is influenced both by external environmental issues, such as competitive behaviour, and by internal changes within the company. 'We are becoming a borderless world with global citizens, global competitors, global customers, global suppliers and global distributors' (David 2001, p. 8). Organisational strategy attempts to anticipate issues and events in an uncertain future, so strategy must be flexible (Anthony, Perrew & Kacmar 1999; David 2001). Intended strategies are those that are planned; 'realised strategies' are those that actually take place in the real world. Strategists must take into account the fact that the business environment is highly dynamic and often changes before a strategy can be fully implemented. Therefore, all strategies are subject to future modification.

Organisations are experiencing a turbulent period of accelerated change, and these disruptive conditions tax their ability to survive crisis, renew themselves and function under changing conditions (Dunphy & Griffiths 1998). The linear but dynamic paradigms traditionally used to understand organisations cannot do justice to the complexity of organisations or suggest ways to become more adaptable to meet the demands of disjunctive environments. Chaos and complexity theories that focus on emergent and fluid living systems assist in understanding the changes in organisations and in guiding managers towards increasing their sustainability (Briggs & Peat 1999; Gleick 1998). Referring to chaos theory, Merry states that a 'new paradigm of organizational theory and practice is gradually beginning to take shape', and organisations have to deal with 'multi-layered, non-linear, interconnected, dynamic, complex problems, that Modern Science has difficulty dealing with' (Merry 1999, cited in Heaton 2001, p. 34).

The literature on chaos and complexity does not contain many explicit references to corporate or human resource management strategy. Briggs and Peat (1999) comment that, 'in a chaotic system, everything is connected, through negative and positive feedback to everything else' (p. 34), and 'chaos shows that when diverse individuals self-organise, they are able to create highly adaptable and resilient forms' (p. 39). Further:

...the structures we work in and that govern our society are derived from a markedly different set of assumptions about reality ... It's a reality where we form ourselves into groups and social organs that resist diversity and where our social structures operate as closed entities, many deriving their identity from their opposition to other groups. (p. 68)

The implication is that turbulent environments necessitate a questioning of previous linear but dynamic approaches in order to evolve approaches to strategy formulation that are more flexible, dynamic, complex , non-linear and multi-layered. Not only the paradigms of SHRM but also its implications for the interrelationships between corporate, business and human resource strategies need to be examined.

Linking SHRM to corporate strategy

A further challenge is to explore the links between corporate strategy and SHRM. Among the external variables in organisational strategy formulation are the labour market, educational structures, technological and political change, and societal issues that affect human resources. One of the aims of strategic management is to coordinate and align all the firm's resources, including its human resources, to work towards fulfilling the organisational goals (Hubbard 2000; Kramar 2001).

Stone (1995) initially argued that SHRM objectives are determined by the organisational objectives and need to be linked to the organisation's strategic planning in an ongoing cycle. Other proponents of SHRM confirm that it is concerned with ensuring a strategic alignment between business and HR strategies and policy, and acknowledge people as a strategic resource (Nankervis, Compton & McCarthy 1999; Walker, in Albrecht 2001). They believe that HR plans and policies should be formulated within the context of organisational strategies and objectives, and should be responsive to the organisation's changing external environment. This approach argues that corporate strategy drives HRM strategy. Therefore, an organisational strategy of innovation would require employees to show a degree of creative behaviour, and HRM policies would then need to ensure there is close interaction and coordination among groups of people. This perspective is usually signified by an

‘accommodative’ linkage between SHRM and organisational strategy (Nankervis et al. 1999, p. 43).

According to another view, SHRM should have an input in determining corporate strategy. Initially, the perspective was that HRM specialists and practitioners should work together, contributing to the formulation of strategy and ensuring the ‘best’ outcomes for all stakeholders. Stone (1995) later emphasised a reciprocal relationship, arguing that the HRM unit had achieved greater say in influencing organisational objectives. This development highlights the fact that in the mid 1990s, SHRM was not clearly differentiated. A more recent perspective is that HRM gathers invaluable information on the external environment, such as labour market data, and internal information such as HR allocation. The capabilities and predictive knowledge and skills of the HRM department can be invaluable to strategy formulation. Proponents of this perspective argue that HR specialists should become strategic partners with all levels of management. Such partnerships may include devolving practical functions such as recruitment to line managers, or outsourcing specialist activities such as payroll administration, but also forming close relationships with senior management to contribute to the formulation of strategic plans. The perspective is generally described as an ‘interactive’ linkage and is depicted in a Nankervis et al. (1999, p. 48) model of SHRM. Although the model recognises the need for flexibility to cope with dynamic external environments, it is essentially a linear model.

A third set of views, developed in the Strategic International Human Resource Management (SIHRM) literature, argues that in the competitive process of globalisation and complexity, it is becoming critical to manage sustainable multinational organisations more effectively by using SHRM, and to link this with strategic needs in the larger organisational context (Adler 1997; Albrecht 2001; Briscoe 1995; Schuler, Dowling & De Cieri 1993). If a multinational organisation fails to gain strategic control of its dispersed operations and to manage them in a coordinated manner, it cannot succeed. The arguments in this literature for developing SIHRM are that human resource management at any level in a multinational corporation is important to strategic implementation. However, a wide variety of factors complicate the relationship between the multinational organisation and SIHRM.

Many multinationals opt for an integrative framework of SIHRM that takes into account the linkages between their offices in different states and, in some cases, their complex internal operations. If workplaces in specific countries or states have different legal frameworks, union demands or demographics, the multinational organisation may have to differentiate its SIHRM policies. In addition to working together, each international workplace must operate within the confines of its local environment as well as the range of laws, politics, culture, economy and practices between societies.

The issue then becomes how the multinational's increasingly diverse HRM policies and practices are to be integrated, controlled and coordinated across countries (Walker, in Albrecht 2001). Questions of differentiation and integration are especially important because they acknowledge the complexity of multinational environments but also point up the need to formulate guiding principles that may be used to manage the complexity of divergent policies and practices. In this international context, the key to strategic management is coping with change (requiring flexibility) and continual adaptation to achieve a fit between the multinational's changing internal and external environments.

The integrative framework has three major components of SIHRM: issues, functions, and policies and practices (Schuler et al. 1993). All three components must be included because they are all influenced by the multinational's strategic activities, and because they in turn influence the concerns and goals of this type of organisation. Walker (in Albrecht 2001, p. 75) notes that 'sustained performance requires superb implementation on a global basis. This requires effective human resource management in several areas ... cross cultural leadership....a workforce with global business savvy... individuals with sensitivity to work in diverse environments...global networks ... [and] a capacity to change rapidly...'. This view assumes that there is a movement towards a 'fully integrated' linkage between corporate strategy and SHRM (Nankervis et al. 1999, p. 43), especially in multinational corporations.

It is especially in the SIHRM literature that references occur to cultural diversity, cross-cultural management, transnational teams, managing diversity and multicultural organisations (Adler 1997; Briscoe 1995; Cox 1993; Cox, in Albrecht 2001;

Hernandez 1993; Hofstede 1991; Hofstede, in Albrecht 2001). The contradictions in the current paradigms, such as universalism in management and organisation theories with local realities, are noted:

In reality, the problem is complex because a diverse world co-exists simultaneously with an organisation logic that presumes and assumes a universal character, one, however, that can only really find its specific forms in the institutional and cultural context of every local reality... the contrast between the fashionable recipes and the results of their translations to these diverse locales, establishes the terms of this ambivalence. (Clegg, Ibarra-Colado & Rodriquez 1999, p. 7)

The implications are that universalism should not be assumed but that organisations should adapt their SHRM policies and practices to take account of diversity in each location.

Corporate strategy, SHRM and performance management

To what extent is an effective performance management system part of strategic HRM in an organisation, and to what extent is diversity management incorporated into such a performance management system? Millett (1999) argues that performance management is a vital part of not only SHRM but also the corporate strategic management process. Performance management incorporates activities such as setting organisational, organisational unit and individual performance standards that link to the overall organisational strategic plan. Organisational, team and individual performance measurement is included, as are strategies for managing underperformance and rewarding excellent performance. One perspective suggests it is the responsibility of a line manager or leader who influences staff to ensure that outcomes match strategic aims and expectations (see figure 1).

Insert Figure 1 here

The primary focus of performance management is not to monitor or control people, but to work with them either individually or as a group in a cooperative way to better align work outcomes with the organisational strategy. This implies continuous improvement and a participative, strategic approach to the changes that are recognised as necessary to achieve a more effective management of human resources and diversity in the workplace (Millett 1999; Schuler et al. 1993).

Diversity management must fit into the performance management system of an organisation. This implies that an organisation has an effective and supportive performance management system in relation to managing overall system performance, and that concepts of diversity management are integrated into these systems. It also implies that there is an active involvement by line managers in managing the performance of those people and systems for which they have responsibility in order to achieve diversity and other organisational goals (Erwee 2000). Depending on the specific purposes for which the organisation chooses to use the performance management system, outcomes may or may not be linked to administrative systems such as remuneration and promotion (Millett 1999).

Case in point:

The Human Resources Division, Department of Education, Employment and Training, Victoria, formulated a People Management Framework to enhance the capacity of the Department to achieve its strategic priorities in 1999. The framework embraced four key components of people management, namely workforce planning, performance excellence, professional development and work environment. Objectives and actions for improved practice are formulated for each component. **Managing and valuing diversity** was one of the action categories in the Performance Excellence component. The intended outcomes for each component were specified. Accountability mechanisms aimed to test the alignment between values, strategies and practices as well as provide guidelines for improvement. This framework was adapted when the Department restructured in 2000. (Erwee 2000)

The model in figure 1 does not refer to the challenges created by cultural diversity, cross-cultural management or multicultural organisations, but the author acknowledges that linear models of organisations are being challenged by paradigms of non-linear, interconnected, dynamic, complex systems.. Such models of the linkages between corporate strategy, strategic HRM and performance management

will be adjusted to incorporate diversity management in addition to the new focus on non-linear and complex elements of systems.

Operationalising SHRM

The next challenge is to put into practice, or 'operationalise', SHRM at the managerial level in an organisation. If the perspective is that SHRM is a major contributor to the setting of organisational objectives, then it needs to be clarified how its policies can contribute to the emergence of business strategy. Managers could explore how HR strategy contributes to organisational goals, how organisational goals drive or influence the aims of SHRM, and how well the elements of the HR system fit together to support the accomplishment of organisational goals (Baron & Kreps 1999).

If senior managers believe that they are responsible for making decisions based on the SHRM agenda, but this belief is not supported by the organisational structure, culture or perceptions, then it is unlikely that SHRM will be effectively implemented. The lack of clarity on managerial responsibility for SHRM may explain why some research indicates that little implementation of SHRM is carried out in certain organisations (Heaton 2001).

The notion that turbulent environments necessitate a flexible and dynamic approach should also be applied to operationalising strategy and SHRM. This confirms that the links between organisational and HR strategies are complex and fluid. A further complexity that emerges during an operational stage is that the concept of diversity management may have been ignored as part of corporate strategy formulation or during SHRM formulation.

In the previous sections it has been established that organisations are evolving as more complex, multi-layered systems, which has led to changes in corporate strategy. The adaptation of corporate strategy again influences and is influenced by concomitant changes in SHRM. The role of diversity management within these complex systems needs to be highlighted.

Diversity management: concepts and controversies

Kramar (in Wiesner & Millett 2001, p. 62) defines managing diversity and highlights a linkage with strategic HRM:

Managing diversity can be regarded as a process of management based on certain values that recognise differences between people and identities as a strength but at the same time is directed towards the achievement of organisational outcomes. The processes associated with managing diversity become an integral part of management. When managing diversity is understood from this perspective it is framed as a broad term that refers to management practices used to improve the effectiveness of people management in organisations.

Following this broad approach to conceptualising 'managing diversity', Griggs and Louw (1995, p. 19) argue that HR and management interventions should maximise the potential of the workforce in all its diversity and that any intervention should take into account 'the critical area of human diversity and the concomitant reality of changing relationship patterns'. Their model assumes that the philosophy of valuing diversity and the reality of managing diversity are key components in dealing with SHRM development challenges. Their view is that although specific strategies may be used in certain areas of an organisation, 'an integrated response embedded in the context of the organisation's broader strategic challenges and objectives can achieve long term results' (p. 20). Although they then tend to focus on 'diversity initiatives', they place these initiatives in a strategic context. For example, strategic questions linking diversity management with organisational strategy are posed:

What are the broader challenges facing the organisation? Is the diversity initiative managed as an integral part of the organisation's total system's change and ...other key human resource strategies? How is the diversity intervention perceived by leaders and employees: as an organisational development intervention, a human resource intervention, a skills development-educational intervention, a public relations effort, a bottom-line business opportunity or a way to avoid discrimination suits? How consistent are these reasons with the strategic direction of the organisation? (Griggs & Louw 1995, pp. 22-3)

Diversity management as specific programs or strategies

One of the controversies in diversity management is that a number of researchers focus on *diversity management* or *managing diversity* as a series of steps or specific programs in organisations. Examples of specific programs classified as diversity management are:

Providing training and development

The provision of training and education in managing and valuing diversity is an often-noted aspect of organisational diversity strategy (D'Netto, Smith & Da Gama Pinto 2000; Kramar 2001; Griggs & Louw 1995). Awareness training focuses on creating an understanding of the importance and meaning of diversity, and increases participants' self-awareness of diversity-related issues such as stereotyping and cross-cultural insensitivity. Skill-building training educates employees on specific cultural differences and how to respond to differences in the workplace. These two types of training are often combined. In addition, legal awareness training informs employees of the law and the consequences of breaking the law, and encourages employees to engage in appropriate behaviours. Such training would not necessarily be enough to change employees' attitudes about diversity. Practitioners caution that these workshops do not achieve their objective of improved cohesion between individuals, but instead heighten tensions, sharpen differences and increase competition and hostility when members of these groups view themselves as competing for jobs.

Case in point: The Californian based grocery chain, Lucky Stores instituted diversity training sessions designed to teach their employees to acknowledge and cope with their racist and sexist assumptions about women and minority groups. Unfortunately, some employees sued the company for discrimination and used the notes taken during the training as evidence. Lucky Stores was found guilty of discrimination and ordered to pay \$90 million. (see Kramar 2001 p. 66)

In an Australian study, the majority of managers noted that their organisations focus on diversity-related training opportunities, with emphasis on cross-cultural training and anti-racism training (D'Netto et al. 2000). While managers in some organisations believed that their company had provided the appropriate training and support resources to ensure that diversity is managed and integrated at all levels of the business, respondents from other organisations suggested that additional training was

needed to help employees attain diversity management skills and awareness. Education techniques varied, and included focus groups and round-table discussions, facilitated workshops, meetings, more standard training, and meetings of single identity groups followed by mixed groups to discuss an issue (for example, a women's group and a men's group would meet separately, then as a mixed group, to discuss gender dynamics in an organisation). Only two private sector organisations noted a comprehensive diversity education program that included in-depth education sessions, a leadership diversity component that included coaching, and special focus groups for newcomers.

Cox (1993, in Albrecht 2001) and Griggs and Louw (1995) suggested that diversity training and development programs needed to be integrated with the organisation's diversity management strategy and should not be seen as solutions in themselves.

Leadership and organisational policy

The general view is that management's support and genuine commitment to cultural diversity is crucial, and that they should take strong personal stands on the need for managing diversity and change and should role model the behaviours required for change (Cox & Blake 1991; Cox 1993; Sinclair 1998). It follows that human, financial and technical resources should be provided, and that diversity should form part of corporate strategy and should consistently be made a part of senior-level meetings. HR practices such as recruitment, training, performance management and compensation are expected to change to respond to diversity-related issues. Managers are encouraged to demonstrate a willingness to sustain management diversity efforts over a long period, not just in the short term (Cox & Blake 1991).

The absence of leadership and organisational policy was illustrated by the D'Netto et al. (2000) study. They found that the third most widely reported response to questions on diversity issues was that no formal strategy existed. Australian managers shared a concern that the organisation responded to the issues in a piecemeal way and had no formalised strategies, while acknowledging that a more systemic and strategic approach needed to be implemented. Some respondents noted that their organisation had no strategies to deal with the effect of the changing composition of the workforce on its business, whereas others did not seem overly concerned by the lack of strategy.

This finding reinforces Smith's (1998) suggestion of a high level of denial or inclination to dismiss diversity issues among Anglo-Australian management. This phenomenon was described as:

'The privilege of oblivion'; that is — if an issue, such as subtle discrimination, is not happening to me (as is the case with most white men), I don't see it (I am oblivious), I don't believe it really exists, and as such I don't need to do anything about it. Hence the lack of investment of time or resources in the development and implementation of strategies to make the most effective use of a diverse workforce. (D'Netto et al. 2000, p. 23)

Organisational research or cultural audits

This program or strategy assumes that the collection and analysis of data on diversity issues within the organisation is essential. Data collection would, for example, include equal opportunity profile data, analysis of attitudes and perceptions of employees and the career expectations of different cultural groups. The analysis could identify departments where certain groups are clustered, monitor the effectiveness of and progress with diversity programs, and assist in designing organisation specific training and development programs. Furthermore, a comprehensive analysis of the organisation's culture and HR systems such as recruitment, performance appraisal, career planning and promotion, and compensation are envisioned. The primary objectives of a cultural audit are to uncover sources of potential bias against members of certain cultural groups and to identify ways that corporate culture may inadvertently put some members at a disadvantage (Thomas 1991; Cox 1993; Griggs & Louw 1995).

Cultural audits are seen as an integral part of managing diversity; however, they are not sufficient in themselves to build a culture that allows all members of the organisation to contribute to their fullest potential. For a cultural audit to be effective, formal procedures such as HR policies need to be assessed. This assessment provides the means to examine the extent to which an organisation's policies support or hinder the desired culture to value diversity. There is a danger that a cultural audit will leave the impression that the 'white male culture is the problem and that the white men in

the organisation must bear the burden of most of the change' (see Kramar 2001, p. 66). However, if managing diversity is a mutual process, then the process must be inclusive, allowing all members to contribute to their fullest potential. Cultural audits therefore need to focus on both differences and similarities between groups, and encourage HR policies and practices to incorporate both aspects.

Diversity enlargement or target group employment strategies

Diversity enlargement programs refer to increasing the representation of groups with particular personal characteristics such as ethnic or gender backgrounds. Usually the organisation's demographic composition is changed, but other HR practices may remain unchanged. Such a strategy will not be effective if there is an assumption that increasing diversity and exposure to certain groups will automatically result in increased performance, particularly if this assumption is combined with a perception that it is a forced change effort in order to be politically correct. Although the Australian equal employment opportunity (EEO) and discrimination legislation in the federal and state jurisdictions does not require forced adherence to quotas, it is possible that some employers would feel coerced by expectations in the labour market and among customers to increase the representation of particular groups (Kramar 2001).

Several managers in the D'Netto et al. (2000) research reported efforts to increase the representation of specific target groups, including women in management, Indigenous employees, people with disabilities, or people from non-English-speaking backgrounds (NESB). While many of these initiatives occurred in government organisations subject to EEO legislation, others were voluntary initiatives in the private sector. Another approach involved assisting in the development of supplier organisations owned and run by target groups, such as Indigenous organisations or organisations run by ethnic minorities, and then using these organisations as preferred suppliers. D'Netto et al. (2000) argue that while the idea of quotas is anathema to most Australians, such an approach is a practical step towards overcoming potential systemic bias in corporate supply chains.

In these perspectives of diversity management as special programs there are references to cultural diversity and cross-cultural management, yet they do not occur within the same paradigms of organisational complexity as those in SIHRM or within chaos theory. Within these perspectives there are few direct linkages to SHRM or organisational strategy. Most of the implicit assumptions are of organisations as relatively linear and static, with little fluidity or complexity.

Diversity management as a series of steps or stages

In contrast to the perception of diversity management as a specific program is the debate about stages or states in managing diversity.

Some researchers argue that certain organisational forms are relevant in an organisation's transformation process towards greater diversity. Adler (1997) refers to a parochial form, an ethnocentric organisation or a synergistic organisation, whereas Cox (1993, in Albrecht 2001) describes the characteristics of monolithic, plural and multicultural organisations. All argue that organisations experience three stages in the evolution towards a diversity sensitive environment. In the monolithic or monocultural stage the organisation acts as though all employees are the same. There is an expectation that all staff will conform to a standard (for example a white male model), and success will be achieved by following the expectations and norms of this model. *Others* are expected to assimilate and adopt the dominant style of the organisation.

In the plural or non-discriminatory stage, it is assumed that organisations begin to adhere to affirmative action or EEO regulations usually as a result of government regulations or the threat of employee grievances. They meet quotas in hiring and promotions and remove obstacles to equal advancement opportunities. Employees of non-mainstream groups experience the need to assimilate as well as a desire for the organisation to accommodate their needs. Conflict is usually alleviated through compromise. In the multicultural stage, differences are recognised while culture, background, preferences and values are respected. Assimilation is viewed not as the way to deal with conflict, but rather as the creation of new norms that allow

employees freedom of choice. Policies and procedures are flexible, applied equitably, and no one is exploited (Gardenswartz & Rowe 1993; Cox, in Albrecht 2001).

The researchers cited above suggest that an organisation can be classified using a specific typology of organisational forms. The organisation is therefore monocultural, plural or multicultural. One measuring instrument in Gardenswartz and Rowe (1993) assumes that a company can be classified according to its score on the status quo of diversity management in that organisation.

In contrast to the classification approach, other researchers suggest that a company can move from being a monocultural to being a multicultural organisation by following certain steps, namely from monocultural to 'lip service given to inclusion' to 'tokenism' to 'a critical mass' to 'tolerating/accepting diversity', and eventually to a multicultural approach that values diversity (Esty, Griffin & Hirsch 1995, p. 189). The objective of managing diversity is seen as the creation of a multicultural organisation in which members of all social backgrounds can contribute and achieve their full potential (Jackson & Ruderman 1997; Prasad, Mills, Elmes & Prasad 1997). These statements seem to suggest a gradual evolutionary process with no definitive demarcations. The continuum is seen as bipolar, starting from an exclusive organisation and evolving into an inclusive organisation. The focus shifts from merely complying with legislation to valuing diversity.

Smith (1998) also uses 'stages' in his description of a process to manage diversity. However, the term is used not to classify companies; rather, it identifies seven steps in a process (or phases in a program) to manage diversity. For example, the first step is ensuring that organisation leaders are committed and personally involved in the process of managing diversity. The next step is ensuring that a 'Diversity Council' representative of diverse groups is involved in setting business reasons for managing diversity. A third step involves conducting employee surveys, focus groups or targeted interviews to assess the climate for diversity management. In the fourth step a range of measures are suggested, such as performance evaluations and bonuses tied to achievement of diversity goals and growth measures such as retention and turnover figures. Certain programmatic measures associated with the outcomes of diversity

management, such as flexible work practices and mentor programs, are also included in this phase. The next step is described as an intervention stage, with the range of targeted actions including awareness training, changing the workforce profile and creating developmental opportunities. Major organisation-wide programs, such as changing the organisational culture or performance management systems, may be involved. The final steps focus on progress checks on different levels and the ongoing maintenance of programs. Cox (in Albrecht 2001) describes similar key components of multicultural organisations, whereas Griggs and Louw (1995, pp. 50–53) construct a ‘Diversity Journey Learning Map’ with 10 major steps, or modules.

Erwee, Perry and Tidwell’s (1999) results on the formation and maintenance of Asian–Australian networks support the idea that cross-cultural business relationships evolve through unprogrammed, dynamic *states* rather than a sequential, linear progression of clearly defined and predetermined *stages*. The contention is that it is difficult to classify an organisation categorically as ‘monocultural’, ‘non-discriminatory’ or ‘multicultural’ in its management of diversity. The first adaptation is to assume that an organisation displays a continuum of progress rather than discrete categories or demarcated stages. A more realistic approach is to assume that an organisation is gradually evolving over time through unprogrammed, dynamic *states*.

A further complicating factor is the multidimensionality of diversity as a concept and the interrelationships among diversity dimensions. Jackson & Ruderman (1995, p. 237) pose the question, ‘Which types of diversity have effects on which organisational outcomes?’ to illustrate the multidimensionality of the concept.

The organisational context for diversity management

One of the aims of an Australian study was to explore the perspectives of managers on the management of diversity in a sample of Australian companies by using a Diversity Survey (Erwee & Innes 1998). The Australian managers depicted the majority of the 277 companies as ‘Open but not embracing change’ or indicated that the companies needed to be quicker to implement change initiatives such as diversity management. The sample was split almost evenly between respondents from private

sector and public sector organisations. The highest proportion of respondents believed that their companies are primarily in the monocultural phase of evolution towards a diversity sensitive workplace.

According to the Diversity Survey research, two factors were important in determining perceptions of the stage of diversity, namely the sector and the extent of organisational change (Erwee & Innes 1998). The extent of organisational change was also differentially associated with the phase or stage of diversity. For example, companies in the multicultural and non-discriminatory stages of evolution were more open to change. These results were confirmed by results relating to valuing diversity. Equal proportions of managers in public sector organisations described such institutions as monocultural, non-discriminatory or multicultural. In contrast, managers in private sector companies were more likely to describe their company as monocultural. Middle, senior and first-line supervisors noted that their companies are monocultural, whereas chief executive officers believed that their companies are multicultural.

This Diversity Survey research still used the concept of classifying organisations according to stages. Yet the fact that the subscale that had one of the highest reliabilities was 'Openness to change' suggests that diversity management is part of a larger organisational context. What is important in this macro organisational context is the flexibility of the organisation to adapt to a changing environment.

From the above statements, the proposition formulated was that an organisation's attitude towards internal and external change creates the context in which diversity is managed in the company.

In the Diversity Survey research managers stated that companies' procedures and policies comply mainly with legal imperatives, and the respondents believed that individual managers are more enlightened than the trends reflected in their organisations' policies and practices (Erwee & Innes 1998). This suggests that organisational values and norms and management practices were slower to change within companies despite legislation inducing compliance. Organisations differ on the extent to which they are complying with legislation and on whether they have

acted out of a conviction that diversity should be valued. This could be seen from the different reactions by companies on the 'Openness to change' subscale, since companies that are open to change had contrasting responses to those that resist change. Each organisation has its own benchmarks to measure its progress on the continuum, and research needs to identify these 'indicators' or benchmarks of progress.

Future directions

In relation to future directions, two themes are identified.

Creating linkages in SHRM policy and practices with diversity management

The discussion so far has noted many divergent opinions of the linkages between corporate strategy, SHRM and 'managing diversity', or 'diversity management'.

Insert Figure 2 here

Source: Adapted from Nankervis et al. (1999, p. 156).

Nankervis et al.'s model (1999, p. 115) assumes reciprocal linkages between HR strategy and a strategic business plan, giving rise to HR plans and policies that have a reciprocal influence on strategy. Such HR plans and policies set the stage for diversity management but are influenced by the latter. Diversity management policies, strategies and outcomes flow from the previous processes, but a feedback loop influencing HR plans, HR strategy or the strategic business plan was not included. The model is based on the assumption that working arrangements and management styles have to be flexible to accommodate the range of employee work attitudes and religious and cultural requirements, and is designed to optimise and liberate human potential in order to maximise productivity while at the same time satisfying individual employee desires. The model has been adapted for this chapter to emphasise organisational turbulence and change and to incorporate more linkages between components to suggest a fully integrated approach.

Griggs and Louw (1995) include a module on 'Initiating systemic change' that identifies systemic barriers in organisations to the organisation's ability to value and manage diversity. It focuses on implementing a diversity strategy and managing this specific change process. They question whether the diversity initiative is managed as an integral part of the organisation's total system change, but they explore this issue no further. Jackson and Ruderman (1995, p. 239) suggest that a key determinant of how increasing diversity will affect work team and organisational performance is the extent to which the organisation consciously manages diversity by creating a supportive climate.

Very few of the sources make specific reference to links between SHRM and diversity management. However, Kramar, McGraw and Schuler (1997) note that affirmative action programs that are integrated with organisational objectives and strategic plans require an analysis of the organisation's employment profile and employment policies. They still focus on either AA or EEO, but they acknowledge that the development of EEO in the future will involve management's dealing with EEO as an integral part of business activity and success.

Fernandez (1995) argues that the key strategy for forming high performance teams is for corporations to understand the link between diversity, team building and total quality management. He emphasises that managing diversity should be a corporate strategy tied directly into the business strategy for managing organisational change and improving productivity. From the statements in this section, it seems likely that diversity management programs or initiatives will be more successful if they are integrated into the strategic human resource programs that support organisational strategic plans.

The notion that turbulent environments necessitate a flexible and dynamic approach was not consistently noted in the above sources and should therefore be applied to the linkages between strategy, SHRM and managing diversity. Again, the assumption is that links between organisational, HR and diversity management strategies are complex and fluid. This suggests, again, that diversity management policies, practices

and strategies become an integral part of corporate strategy and SHRM formulation and implementation.

Acknowledging the controversies about colonialism, race and gender

Hofstede's early research (1991, in Albrecht 2001) proposed that national identity is part of the mental programming (collective pattern of thinking, feeling and acting) shared by people in a group, and that this influences management culture in organisations in a society. Hall and Hall argue that the cultures of the world can range from high context to low context, with 'context as the information that surrounds an event' (in Albrecht 2001, p. 26). Using the argument that management philosophies and practices are culturally conditioned, Fernandez (1995) states that the United States has a history and philosophy of embracing diversity — in contrast to Europe and Japan, who have a limited history of laws and programs that respect and utilise diversity.

Docker and Fisher (2000) found many contradictions in their study of race, colour and identity in Australia and New Zealand, noting:

colonial versus post-colonial, old settlers versus new settlers, indigenous people versus invaders, majority versus innumerable minorities, white against black or coloured, the search for a collective, inclusive or national identity (in an era of post national globalisation) vis-à-vis the search for individual and personal or group identity based on ethnicity, language, country of origin or religion. (p. 6)

However, many of the researchers and arguments cited in the preceding sections of this paper are criticised for a lack of attention to gender, racism and colonialism. For example, Adler and Izraeli (1994) argue that women's under-representation, under-utilisation and skewed distribution in management are often explained by four perspectives, namely individual differences between the sexes, organisational context problems, institutionalised discrimination and as a consequence of power dynamics.

Yet, while outstanding human resource systems provide competitive advantages, companies worldwide draw from a restricted pool of potential managers. Although women represent over 50 percent of the world population, in no country do women represent half, or even close to half, of the corporate

managers ...beyond the international commonalities underlying women's exclusion from the centres of managerial power and authority lies the uniqueness of local conditions in each country that produces the variety of women's experiences worldwide. (Adler & Izraeli 1994, pp. 3–4)

Although the Australian workforce is among the most culturally and linguistically diverse in the world, Sinclair (1998) contends that the traditional notions of leadership have not developed to keep pace with an internationalised and multicultural workplace:

...there is a close but obscured connection between the constructs of leadership, traditional assumptions of masculinity and a particular expression of male heterosexual identity ... our conceptions of leadership are locked in a time-warp, constrained by lingering archetypes of heroic warriors and wise but distant fathers ... homogeneity in the characteristics of leadership in an environment of dramatic change and a workforce of increased diversity, is a major liability ... (pp. 1–2)

In a discussion of the construction of race in Australia, Docker and Fisher (2000, p. 266) state that 'whiteness is represented as mainstream Australia and under threat, the extreme has moved to the centre and the privilege of whiteness is hidden', and 'a common theme within this narrative is fear and politics of division'.

Some critics deride the 'managerial focus', 'strategic perspectives', the focus on 'bottom line success' and the 'neo-unitarist approach to the management of employees' in SHRM (Nankervis et al. 1999, p. 45). Mills and Hatfield (in Clegg et al. 1999, p. 36) state that current textbooks on management are built around a 'white, male, liberal American view of reality', that a 'generalised Cold War mentality' strengthened tendencies to avoid concerns with broader socio-political issues (p. 49), and that even in the better texts, 'gender — along with race, age, sexual preference and ethnicity — is becoming subsumed under "diversity" and problematised anew' (p. 56). What discussions there are on race, ethnicity or national origin are framed according to a 'eurocentric, assimilationist perspective', and discussion about diversity is a 'newer, more subtle form of cultural imperialism' (Mills & Hatfield, in Clegg et al. 1999, pp. 57–8).

In an Australian study, managers identified a total of 23 separate discussed or 'visible' diversity issues in their organisations (D' Netto et al. 2000, p. 32). Most issues dealt

with culture or gender, while others included general themes such as differences, organisational culture and flexible response to change. The managers also singled out 23 ‘undiscussable’ or taboo diversity issues in their organisations. Nearly all undiscussables were specific issues such as race, cultural bias, sexual orientation or age.

Certain authors are concerned that case studies of companies that celebrate their achievements in managing diversity cloak problems of diversity, gender, or racial tension and cultural friction in organisations. Although many organisations profess to be multicultural and to manage diversity, they are monocultural entities whose organisational policies, norms and values do not adequately reflect the realities of a multicultural workforce. Prasad, Mills, Elmes and Prasad (1997) discuss the negative effects of a monocultural organisation:

More than anything, organisational monoculturalism leads to institutional resistance against workplace diversity. Institutional resistance can be distinguished from individual resistance by the structural potency of the problem. Organisational monoculturalism therefore results in innumerable routine workplace processes (such as reward systems) that are systematically hostile to the cultural values and lifestyles of different groups. The ultimate result is a structural failure to accommodate difference in the workplace. (pp. 15–16)

This pessimistic perspective regarding the discourse on race, gender, ethnicity and colonialism in a society will negatively affect beliefs about organisational strategy and its links to SHRM, as well as to the reality of managing diversity.

Implications for managers

In Australia a variety of federal or state Acts influence the SHRM policies, performance and diversity management systems that a human resource or line manager designs. In the Australian public sector there may also be existing minimum standards formulated in a Commissioner for Public Employment’s Directions. A manager should ensure that there are direct linkages between the organisation’s

vision, mission and values statements and the relevant Acts, institutional or organisational documents (public sector), or industry or professional society benchmarks or quality standards (private sector).

Another way of establishing linkages is to develop a Values Statement that incorporates respect for the individual, teamwork and a positive work environment. A Values Statement should comprise a good progression of commitments — from the broad general value of, for example, performance excellence to a focus on the individual (respect and customer service), before moving to values pertaining to groups and management systems (teamwork, work environment, quality management, valuing diversity). This statement could form the basis for linkages between corporate strategy, SHRM and policies on managing diversity. In contrast to the sometimes adversarial nature of workplace relations, the tone of policy documents could emphasise cooperation between staff and management and between internal and external stakeholders.

A manager could further exemplify efficient management communication by focusing attention on the organisation's vision, mission and values. Is the vision inspirational, customer focused and cooperative in intent, and does it specify realistic current and future outcomes?

Case in point: In the Department of Education, Employment and Training, Victoria, the mission of the department influences the missions of Offices and Divisions within Offices. For example, in 1999 the mission of the Office of Departmental Services was to ensure that the 'core support services of the Department are delivered smoothly and effectively by providing support to those delivering educational services in a way that adds value to the operations of schools and services'. The Human Resources Division's mission was a concise statement on 'improving the quality of teaching and learning in schools and institutes by providing high quality services in human resource management for all Department staff'. (Erwee 2000, p. 2).

Many organisations include diagrams to clarify the complex relationship between government policy, the organisation's corporate and business or operational plans,

and SHRM practices. Specific strategic priorities in particular time frames, for example managing diversity in 2000 to 2002, are often highlighted. References to other documents can serve to focus on the interrelatedness of strategies within the organisation.

Case in point: The Human Resources Division, Department of Education, Employment and Training, Victoria's 1999 document had some notable strategies. There were attempts to draw every member of staff into the Performance Management Framework by clarifying their personal responsibility at the onset. The importance of cooperation to succeed and joint ownership of the PMF were often illustrated by the use of terminology such as 'our success' or 'our mission'. This subtle personal appeal is incorporated before emphasis was placed on the role of leadership. (Erwee 2000, p. 4)

Few documents of this nature state so directly that quality of leadership can have an impact on both the culture of the organisation and the performance of staff. However, specific references to characteristics of effective leaders seemed to place the burden of the outcomes on the leader, rather than on a cooperative effort by leaders and their teams.

Managers could include a diagram to demonstrate that the full spectrum of HR policies and practices, such as workforce planning, job design, staff selection and placement, developing and managing staff, performance management, review and recognition processes, are incorporated. Note how the components and actions have a direct effect and link to other actions. The manager needs to indicate in either the diagram or its detailed discussion how diversity management is incorporated in each policy and set of practices. Some organisations include the use of performance measures to test progress, and a few also specify the relevant performance measures within each component.

A manager could present the information in terms of best practice or of objectives, immediate tasks and indicators to measure progress. This will enhance staff members' comprehension and acceptance of such a document.

Managers could investigate whether key elements of effective HR strategy can be identified in their policies and systems. They could:

- acknowledge the impact of the outside environment, for example the needs of customers or clients
- note the dynamics of internal and external labour markets, for example references to workforce planning and professional development
- have a long-range rather than a short-range focus to continuous improvement
- emphasise the significance of choice and decision making in strategic activity by noting, for example, consumer choice or staff responsibility for personal development
- consider involving all levels of staff, leaders and managers
- integrate a human resource framework and strategies within the overall corporate or organisational and functional strategies and policies
- note that planning is contingent on changing strategic priorities; that implementing plans may be more difficult than initially anticipated; that paradoxes in planning may occur and need to be acknowledged; and that various stakeholders may have to be consulted during the planning process.

Implications for employees

Employees in multicultural or monocultural organisations need to monitor the degree to which organisational policy on strategy, SHRM and diversity management emphasises the interdependence between management and staff. For example, staff might be consulted during policy development or review. Documents usually include statements about the responsibility of management for providing acceptable work environments and sufficient support to staff. Staff could be afforded the opportunity to plan their own performance and development within the organisation. However, care must be taken not to create the impression that the burden of responsibility for their development is only on staff, but rather that it is the outcome of a process of consultation.

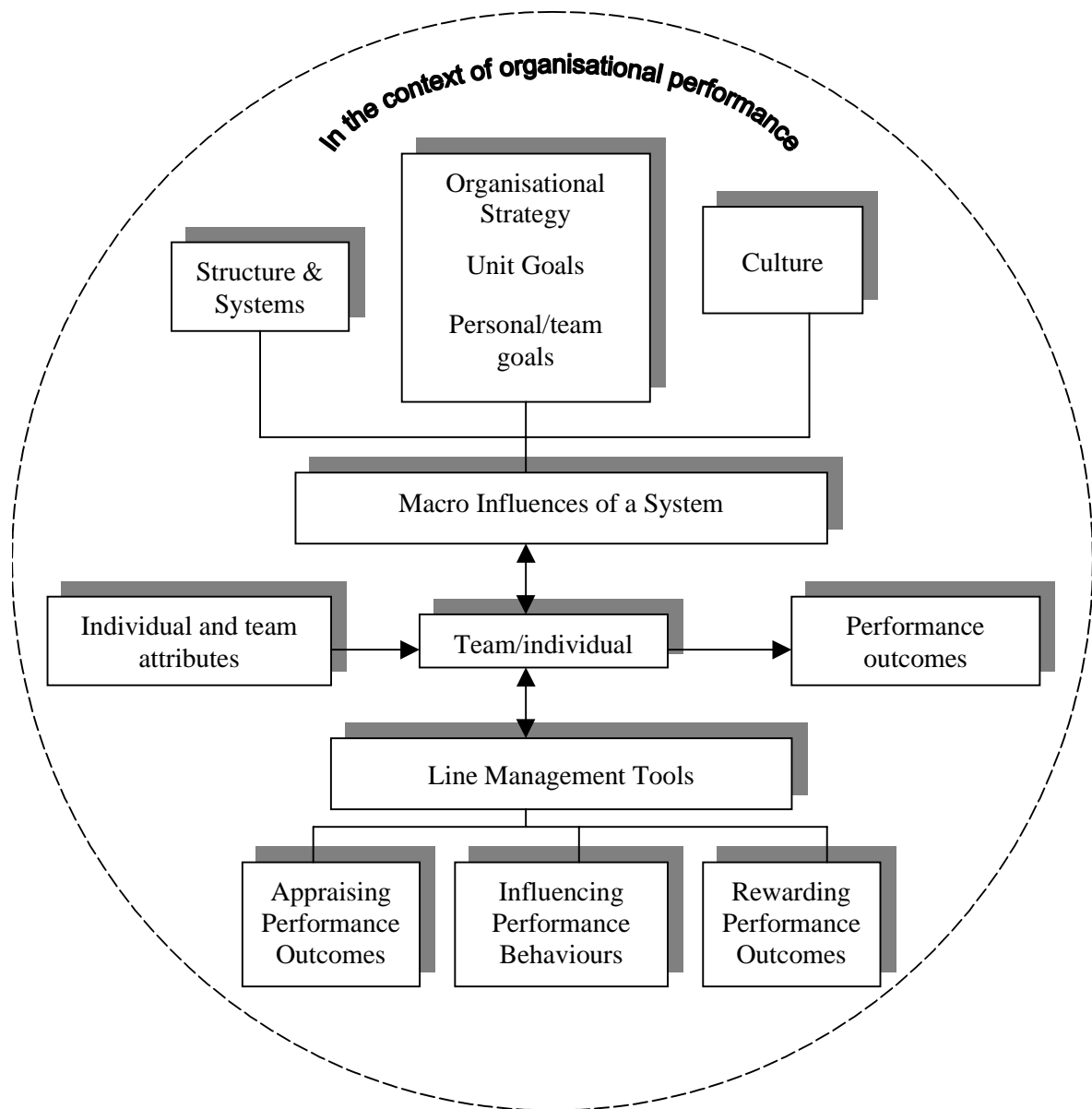
Implications for organisations, managers and employees

Managers need to establish whether their organisations have formulated strategic priorities that will sustain it in the next decade. They can assist organisations to design and implement a range of SHRM policies and programs to ensure that it provides high-quality services to its staff, customers and the community. One of their aims will be to create a commitment to developing a competent team of leaders, managers and staff members. Their organisational strategy, human resource and performance management framework and strategic policies must align with the relevant Acts, public sector directions or private sector benchmarks and a government's employment and management framework. Managers could ensure they gain the support of important stakeholders and assist colleagues and staff to play a critical role in designing and implementing SHRM and diversity policies and practices that align with the strategic priorities of their organisation.

This author's view is that an organisation's attitude towards change and SHRM creates the context in which diversity is managed in the company. A company's policies and beliefs about the management of diversity gradually evolve over time, developing unique benchmarks to track the process. Finally, researchers should acknowledge Prasad et al.'s (1997) concern that:

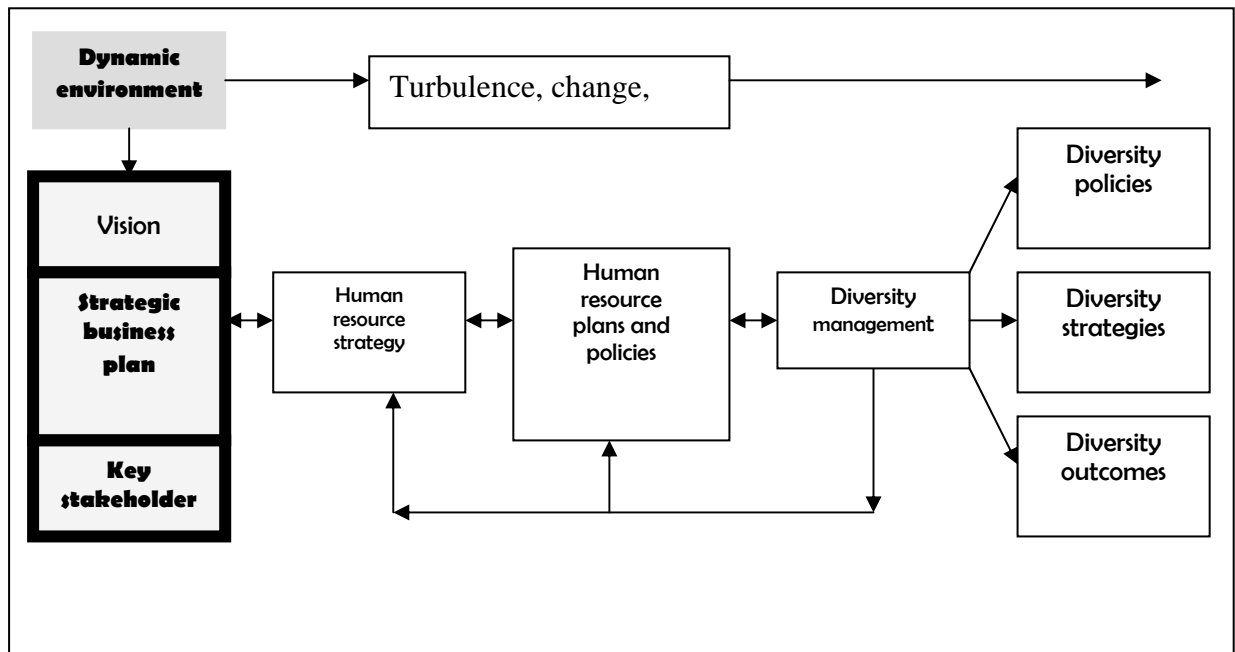
Only by examining the social, political, cultural and historical context in which workplace diversity has evolved can academics and practitioners move beyond a managerialist discourse which all too frequently seeks to obscure, conceal, and deny the real human differences that inhabit today's organisations, and which seem to equate diversity management with 'learning to get along' in organisations that have theoretically been sanitised. (p. 373)

Figure 1:
Performance management tools for line managers



Millett, B. (1999) *Strategic Human Resource Planning*, Study Book GSN216, University of Southern Queensland, Toowoomba.

Figure 2 A Strategic model of diversity management



Source: Adapted from Nankervis, A., Compton, R.L. & McCarthy, T.E. 1999, *Strategic Human Resource Management*, 3rd edn, Nelson, Melbourne, p. 158.

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