

# 4

## DIVERSITY AT WORK

### *Questions This Chapter Will Help Managers Answer*

- LO 4-1** Are there business reasons I should pay attention to “managing diversity”?
- LO 4-2** What are leading companies doing in this area?
- LO 4-3** What can I do to reverse the perception among many managers that the growing diversity of the workforce is a problem?
- LO 4-4** How can I maximize the potential of a racially and ethnically diverse workforce?
- LO 4-5** What can I do to accommodate women and older workers?

Diversity is more than just a passing blip on the corporate conscience. Discrimination in any form is increasingly viewed as unacceptable. As MGM Resorts says, “We believe that every human being deserves the freedom to be who they are and the right to be treated with dignity and respect. We are at our most effective as an organization when we are at our most inclusive.” Likewise, IBM proclaims proudly, “We learned early on that fostering diversity is not only the right thing to do for society, but for business as well.” Over the past few years diversity has become a major competitive advantage for many companies, and something they are proud of. As an example, consider the *Fortune’s* top 5 best companies to work for in 2014 and the percentage of women and minorities they employ, respectively: Google, not reported; SAS (42.2%, 18%); Boston Consulting Group (45.4% and 26%); Edward Jones (64.2%, 6%); and Quicken Loans (45.6%, 23%). All have anti-discrimination policies that include sexual orientation. Today, the business justification for diversity is sound and demonstrable. To appreciate that, consider five major issues.

1. *How does diversity help an organization expand into global markets?* “Our customers, suppliers, and strategic partners are increasingly global and multicultural. We must be positioned to relate to them” (Hewlett-Packard). “Our major growth opportunities will occur outside of our North American business. Our objectives for business growth for the next decade indicate that our international business will be as large as our domestic business. Diversity is a business imperative. There is no way to achieve our business strategy unless we develop and utilize diversity in the marketplace to achieve competitive advantage around the world” (Procter & Gamble).
2. *How can diversity help build brand equity, increase consumer purchasing, and grow the business?* As a result of hiring a multicultural staff, including Hispanics, for its previously homogeneous marketing department, Amtrak learned that a large percentage of the Latino population in the West relies not only on Spanish-language radio and newspapers for travel information, but also on Latino Catholic publications. At least partly as a result of advertising in those publications as well, ridership on Amtrak’s West Coast routes has increased by 47 percent. Corporate America also purchases supplies from minority-owned suppliers. How much? In 2013 Microsoft alone purchased more than \$1.9 billion in goods and services from minority- and women-owned businesses.<sup>a</sup>
3. *How does diversity support the organization’s human resource strategies?* “We are facing a tremendous threat to our ability to retain top talent. Our attrition rate for our technical managers exceeds 28 percent. The percentages are

\*Sources: Miller, A. (2014, Feb. 24). Equality makes business sense. *Fortune*, pp. S1-S2. See also, The business case for diversity—Training for supervisors. (2013, Oct. 25). Retrieved from <http://www.shrm.org/templatestools/samples/powerpoints/pages/thebusinesscasefordiversity.aspx> on March 31, 2013. See also Marquis, J. P., Lim, N., Scott, L. M., Harrell, M. C., and Kavanagh, J. (2008). *Managing Diversity in Corporate America*. Santa Monica, CA: Rand. See also 100 Best Companies to Work For 2014. Retrieved from <http://money.cnn.com/magazines/fortune/best-companies/2014/list/>. See also Kochan, T., Bezrukova, K., Ely, R., Jackson, S., Joshi, A., Jehn, K., Leonard, J., Levine, D., and Thomas, D. (2003). The effects of diversity of business performance: Report of the diversity research network. *Human Resource Management*, 42(1), 3-21.

<sup>a</sup>Microsoft. Supplier diversity. Retrieved from [www.microsoft.com/about/companyinformation/procurement/diversity/en/us/default.aspx](http://www.microsoft.com/about/companyinformation/procurement/diversity/en/us/default.aspx) on April 2, 2014.

greater for our technical managers who are under the age of 30, those with three to eight years' tenure, and across all race and gender categories. The dollar impact of losing this talent exceeds \$15 million annually. The loss in intellectual capital is incalculable. The notion that our attrition is consistent with industry trends is totally unacceptable. We cannot hire talent fast enough to replace this brain drain. Diversity is a strategic imperative to retaining top talent and reducing our attrition rate by 50 percent in the next two years. We must identify the compelling factors that ensure we retain that talent for which we have invested so heavily" (*Fortune* 50 IT company, headquartered in the United States).

4. *How does diversity build our corporate image among our consumers?* Qualified and interested people are often attracted to employers who are able to show that they are committed to developing and promoting a wide array of people. Consider IBM, for example. Since 1995 the number of female executives worldwide has increased by 490 percent. The number of self-identified gay, lesbian, bisexual, and transgender (GLBT) employees has grown even faster—and the number of executives with disabilities has more than tripled. IBM buys \$3.3 billion worth of goods and services from U.S. suppliers owned by women, minorities, or GLBT people and \$939 million from these suppliers outside the U.S.<sup>b</sup> and it sells more than \$500 million of goods and services by marketing to those groups.
5. *How does diversity enhance operational efficiency?* Employees from all groups now expect more from organizations—from nondiscriminatory, hostility-free workplaces to flexible schedules and benefits that include child-care assistance and work-life policies. A company's return on investment is reduced when commitment and productivity are lost because employees do not feel valued, time is wasted with conflicts and misunderstandings, and money is spent on legal fees and settlements. Conversely, an environment where employees feel valued and included yields greater commitment and motivation to succeed. It also means fewer resources spent on grievances, turnover, and replacement costs.

Of necessity, building the business case for diversity in any given company will vary, but in general it can be stated in two compelling arguments: (1) For both large and small companies these days, the neighborhood in which they sell is the entire world, so it is essential that their workforces look and think like the world, in all of its ethnic, racial, and behavioral variety. (2) The demographics of the United States are changing so dramatically that over the coming decades it will be impossible for employers to fill their ranks with members of the traditional workforce—white males. By 2040 an estimated 70 percent of American workers will be either women or members of what are now racial minorities.

While we can make a persuasive business case for diversity, a five-year research project in four large firms found few direct positive or negative effects of diversity on business performance. The researchers suggested that a more "nuanced" view of the business case for diversity may be more appropriate. In the concluding section of this case, we examine more closely that nuanced view and its implications for managers.

<sup>b</sup>IBM. 2012 corporate responsibility report. Retrieved from <http://www.ibm.com/ibm/responsibility/2012/>

## Challenges

1. What is the ethical rationale for building and managing a diverse workforce?
2. Is there additional information beyond these five issues that you feel is necessary to make the business case for diversity?
3. What steps can you take as a manager to become more effective in a work environment that is more diverse than ever?

As we noted in Chapter 1, the United States workforce is diverse—and becoming more so every year.<sup>1</sup>

- More than half the U.S. workforce now consists of racial minorities (i.e., non-white), **ethnic minorities** (i.e., people classified according to common traits and customs), immigrants, and women.
- Women's share of the labor force was 46.9 percent in 2012; it will remain at that level through 2022. Men's share is projected to remain steady over the same time period, at roughly 53.2 percent.
- White non-Hispanics will account for about 60 percent of the labor force in 2015. It will drop below 50 percent by 2040.
- The Asian, American Indian, Alaska Native, and Pacific Islanders' share of the labor force will increase from 7.1 to 8.5 percent, the Hispanic share will increase from 14.3 to 17.6 percent, and the African-American share will hold steady at about 12 percent between 2008 and 2018.
- The labor force will continue to age, with the 55-and-older group comprising 24 percent of the workforce by 2050, compared to 19 percent in 2010. Over the same time period, the percentage in the 25- to 54-year age group will shrink from 67 to 64 percent, and for the 16- to 24-year age group, it will shrink from 14 to 12 percent.

These demographic facts do not indicate that a diverse workforce is something a company ought to have. Rather, they tell us that all companies already do have—or soon will have—diverse workforces.

Unfortunately, attitudes and beliefs about the groups contributing to diversity change slowly. To some, workers and managers alike, workforce diversity is simply a problem that won't go away. Nothing can be gained with this perspective. To others, diversity represents an opportunity, an advantage that can be used to compete and win in the global marketplace, as we shall now see.

## WORKFORCE DIVERSITY: AN ESSENTIAL COMPONENT OF HR STRATEGY

To celebrate diversity is to appreciate and value individual differences. **Managing diversity** means *establishing a heterogeneous workforce (including white men) to perform to its potential in an equitable work environment where no member or group of members has an advantage or a disadvantage.*<sup>2</sup> This is a pragmatic business strategy that focuses on maximizing the productivity, creativity, and commitment of the workforce while meeting the needs of diverse consumer groups. Managing diversity is not the same thing as managing affirmative action. To some, affirmative action is synonymous with

Table 4-1

### MAJOR DIFFERENCES BETWEEN EQUAL EMPLOYMENT OPPORTUNITY/ AFFIRMATIVE ACTION (EEO/AA) AND DIVERSITY

EEO/AA	Diversity
Government initiated	Voluntary (company driven)
Legally driven	Productivity driven
Quantitative	Qualitative
Problem focused	Opportunity focused
Assumes assimilation	Assumes integration
Internally focused	Internally and externally focused
Reactive	Proactive

Sources: The Diversity Training Group. Frequently asked questions. Retrieved from [www.diversitydtg.com](http://www.diversitydtg.com) on April 21, 2008. See also SHRM. (2004, Aug. 5). How is a diversity initiative different from my organization's affirmative action plan? Retrieved from [www.shrm.org/diversity/](http://www.shrm.org/diversity/) on April 21, 2008.

“preferential treatment.” As we noted in Chapter 3, however, affirmative action more properly refers to actions taken to overcome the effects of past or present practices, policies, or other barriers to equal employment opportunity.<sup>3</sup> It is a first step that gives managers the opportunity to correct imbalances, injustices, and past mistakes. Over the long term, however, the challenge is to create a work setting in which each person can perform to his or her full potential and therefore compete for promotions and other rewards on merit alone. Table 4-1 highlights some key differences between equal employment opportunity/affirmative action and diversity.

There are five reasons diversity has become a dominant activity in managing an organization's human resources (see Figure 4-1):

1. The shift from a manufacturing to a service economy.
2. Globalization of markets.
3. New business strategies that require more teamwork.
4. Mergers and alliances that require different corporate cultures to work together.
5. The changing labor market.<sup>4</sup>

## The Service Economy

Roughly 90 percent of U.S. employees work in service-based industries (see Table 4-2).<sup>5</sup> Manufacturing will maintain its share of total output, while productivity in this sector increases and the need for additional labor decreases. Virtually all of the growth in new jobs will come from service-producing industries. Service-industry jobs, such as in banking, financial services, health services, tourism, and retailing, imply lots of interaction with customers. Service employees need to be able to “read” their customers—to understand them, to anticipate and monitor their needs and expectations, and to respond sensitively and appropriately to those needs and expectations. In the service game, “customer literacy” is an essential skill. Considering that Hispanics, African Americans, Asians, people with disabilities, and gays/lesbians/bisexuals/transsexuals

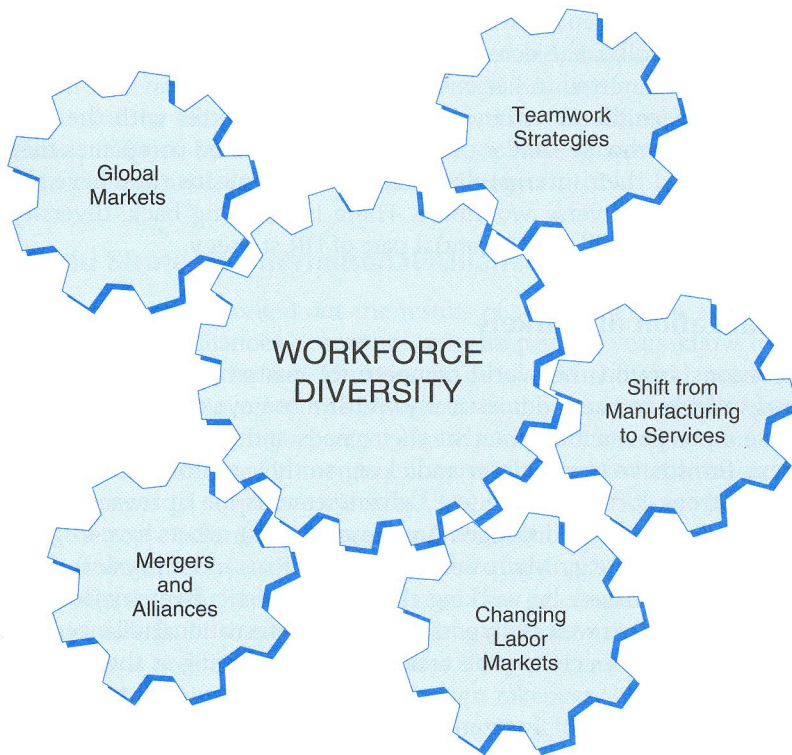


Figure 4-1

Increased diversity in the workforce meshes well with the evolving changes in organizations and markets.

have a combined buying power of more than \$3 trillion (in 2013), why would any business want to ignore them?<sup>6</sup>

A growing number of companies now realize that their workforces should mirror their customers. Similarities in culture, dress, and language between service workers and customers creates more efficient interactions between them and better business for the firm. Bank of America in Baltimore discovered this when it studied the customer-retention records for its branches. The branches showing highest customer loyalty recruited locally to hire tellers, who could swap neighborhood gossip.

Table 4-2

### THE SHIFT FROM MANUFACTURING TO SERVICE JOBS, 1973–2011

Year	Manufacturing jobs (%)	Service jobs (%)
1973	26.0	74
1983	20.0	80
1993	16.0	84
1998	13.0	87
2011	7.4	90

Sources: U.S. Bureau of Labor Statistics and Perry, M. J. (2011, Feb. 25). The truth about U.S. manufacturing. *The Wall Street Journal*, p. A13.

The best of 20 branch managers worked in a distant suburb and was described as dressing “very blue collar. She doesn’t look like a typical manager of people. But this woman is totally committed to her customers.”<sup>7</sup>

When companies discover they can communicate better with their customers through employees who are similar to their customers, those companies then realize they have increased their internal diversity. And that means they have to manage and retain their new, diverse workforce. There is no going back; diversity breeds diversity. Managing it well is an essential part of HR strategy.

## The Globalization of Markets

As organizations around the world compete for customers, they offer customers choices unavailable to them domestically. With more options to choose from, customers have more power to insist that their needs and preferences be satisfied. To satisfy them, firms have to get closer and closer to their customers. Some firms have established a strong local presence (e.g., advertisements for Japanese-made cars that showcase local dealerships and satisfied American owners); others have forged strategic international alliances (e.g., Microsoft and Nokia, Fiat and Chrysler). Either way, diversity must be managed—by working through domestic diversity (local presence) or by merging national as well as corporate cultures (international alliances). Successful global leaders measure success in this area of cultural learning as they measure other business factors.

For example, the CEO of Switzerland-based Novo Nordisk requires his managers to “buy” and “sell” three best practices to managers in other parts of the world each year on their corporate intranet. Doing so underscores three valuable lessons: (1) We must use technology to move information around the company. (2) We must learn from our colleagues around the globe and share information with them. (3) We must measure these “soft” skills as we measure “hard” business returns, and hold people accountable for them. In short, culture matters.<sup>8</sup>

## New Business Strategies That Require More Teamwork

To survive, to serve, and to succeed, organizations need to accomplish goals that are defined more broadly than ever before (e.g., world-class quality, reliability, and customer service), which means carrying out strategies that no one part of the organization can execute alone. For example, if a firm’s business strategy emphasizes speed in every function (in developing new products, producing them, distributing them, and responding to feedback from customers), the firm needs to rely on teams of workers. Teams mean diverse workforces, whether as a result of drawing from the most talented or experienced staff or through deliberately structuring diversity to stimulate creativity.

Firms have found that only through work teams can they execute newly adopted strategies stressing better quality, innovation, cost control, or speed. Indeed, virtual teams—domestic or global—promise new kinds of management challenges. In a virtual team, members are dispersed geographically or organizationally. Their primary interaction is through some combination of electronic communication systems. They may never “meet” in the traditional sense. Further, team membership is often fluid, evolving according to changing task requirements. This has created a rich training agenda, as members from diverse backgrounds must learn to work productively together.<sup>9</sup>

Diversity is an inevitable byproduct of teamwork, especially when teams are drawn from a diverse base of employees. Young and old, male and female, American-born and non-American-born, better and less well educated—these are just some of the dimensions along which team members may differ. Coordinating team talents to develop new products, better customer service, or ways of working more efficiently is a difficult, yet essential, aspect of business strategy.

## Mergers and Strategic International Alliances

The managers who have worked out the results of all the mergers, acquisitions, and strategic international alliances occurring over the past 20 years know how important it is to knit together the new partners' financial, technological, production, and marketing resources.<sup>10</sup> However, the resources of the new enterprise also include people, and this means creating a partnership that spans different corporate cultures.

A key source of problems in mergers, acquisitions, and strategic international alliances is differences in corporate cultures.<sup>11</sup> According to two studies, integrating culture was the top challenge in mergers and acquisitions.<sup>12</sup> Corporate cultures may differ in many ways, such as the customs of conducting business, how people are expected to behave, and the kinds of behaviors that get rewarded.

When two foreign businesses attempt a long-distance marriage, the obstacles are national cultures as well as corporate cultures. Fifty percent of U.S. managers either resign or are fired within 18 months of a foreign takeover.<sup>13</sup> Many of the managers report a kind of "culture shock." As one manager put it, "You don't quite know their values, where they're coming from, or what they really have in mind for you."<sup>14</sup> Both workers and managers need to understand and capitalize on diversity as companies combine their efforts to offer products and services to customers in far-flung markets.

## The Changing Labor Market

You can be sure of this: Over the next 25 years the U.S. workforce will comprise more women, more immigrants, more people of color, and more older workers.<sup>15</sup>

### A WORD ABOUT TERMINOLOGY

In recent years, few topics have sparked as much debate as "politically correct" language. Choosing the right words may take a bit more thought and effort, but it is imperative to do so in business communication. After all, it makes no sense to alienate employees and customers by using words that show a lack of respect or sensitivity.

Consider just two examples. Instead of referring to dark-skinned people (whose ethnic origins may be Hispanic or African) as black, it is



more appropriate to refer to them as Hispanic Americans or African Americans. Instead of referring to people with physical or mental impairments as "the disabled" or "the handicapped" (terms that emphasize what a person cannot do rather than what he or she can do), it is more appropriate to refer to them as "people with disabilities." Showing respect and sensitivity to differences by means of the language we use in business is the first step toward building up the capabilities of a diverse workforce.

In fact, more than 500 million people, double the number today, will legally work outside their home countries in the next 20 years; why? Experts point to factors such as conflict, natural disasters, climate change, and economic opportunism.<sup>16</sup> Our workplaces will be characterized by more diversity in every respect. The first step to attaining the advantages of diversity is to teach all employees to understand and value different races, ethnic groups, cultures, languages, religions, sexual orientations, levels of physical ability, and family structures. Skeptical managers, supervisors, and policymakers need to understand that different does not mean deficient. Only when employees at every level truly believe this will the corporation they work for be able to build the trust that is essential among the members of high-performance work teams.<sup>17</sup> Such teams incorporate practices that provide their members with the information, skills, incentives, and responsibility to make decisions that are essential to innovate, to improve quality, and to respond rapidly to change.<sup>18</sup>

## DIVERSITY AT WORK—A PROBLEM FOR SOME ORGANIZATIONS

Reports of discrimination correlate with a tendency to feel “burned out,” a reduced willingness to take initiative on the job, and a greater likelihood of planning to change jobs. Not surprisingly, therefore, a recent study of more than 475,000 professionals and managers from 20 large corporations found that minorities and women quit companies much more often than white males do, especially during the early period of employment, although over time, racial differences in quit rates disappear.<sup>19</sup> Such turnover represents millions of dollars in lost training and productivity.

So how should you handle questions and concerns about diversity? Here are some suggestions: *inquire* (“What makes you say that?”), *show empathy* (“It is frustrating when you can’t understand someone”), *educate* (debunk myths, provide facts, explain),

## WHY IS A DIVERSITY PROGRAM SO DIFFICULT TO IMPLEMENT?

A recent survey by Boston-based Novations Group of more than 2,000 senior HR and training executives found both good news and bad news. The good news was that commitment to diversity was up about 60 percent from two years earlier, when the survey was last conducted. The bad news was that one-fourth of those polled were unsure about how to implement it, to make it work in practice, or to maximize its benefits in business terms. To a large extent that may be due to the attitudes of senior management. While about half of senior managers accept the business case for diversity and do what is necessary to leverage inclusion within



their organizations, fully 28 percent either pay lip service to the ideas of diversity and inclusion, or are not convinced of the business case, but let HR pursue inclusion efforts. According to Novations CEO Mike Hyter, “inclusion is tough to make real when an organization’s top people are confused or lukewarm. Any program is bound to be less effective if management isn’t fully committed.”<sup>a</sup>

<sup>a</sup>Hyter, quoted in Gurchiek, K. (2007, Aug. 27). Putting diversity into practice stymies many firms. *HR News*. Retrieved from [www.shrm.hrnews/published/articles/CMS\\_022806.asp](http://www.shrm.hrnews/published/articles/CMS_022806.asp) on September 7, 2007.

state your needs or expectations (“Let’s develop an approach we can both live with”), and don’t polarize people or groups (“What might be other reasons for this behavior?”). Sometimes people respond differently to the same situation because of their culture. Culture is the foundation of group differences. In the following sections we will examine the concept of culture and then focus briefly on some key issues that characterize three racial/ethnic groups (African Americans, Hispanic Americans, and Asian Americans), women, and the four generations that make up the U.S. workforce. As in other chapters, we will present examples of companies that have provided progressive leadership in this area.

## Culture—The Foundation of Group Differences

**Culture** refers to the characteristic behavior of people in a country or region. Culture helps people make sense of their part of the world. It provides them with an identity—one they retain even when they emigrate.<sup>20</sup>

When we talk about culture, we include, for example, family patterns, customs, social classes, religions, political systems, clothing, music, food, literature, and laws.<sup>21</sup> Understanding the things that make up a person’s culture helps diverse peoples to deal more constructively with one another. Conversely, misunderstandings among people of goodwill often cause unnecessary interpersonal problems and have undone countless business deals. We will examine the concept of culture more fully in our final chapter.

“Valuing diversity” means more than feeling comfortable with employees whose race, ethnicity, or gender differ from your own.<sup>22</sup> It means more than accepting their accents or language, their dress or food. It means learning to value and respect styles and ways of behaving that differ from yours. To manage diversity, there is no room for inflexibility and intolerance—displace them with adaptability and acceptance.

## African Americans in the Workforce

African Americans will make up about 12.4 percent of the U.S. civilian workforce by the year 2022.<sup>23</sup> Consider these facts:

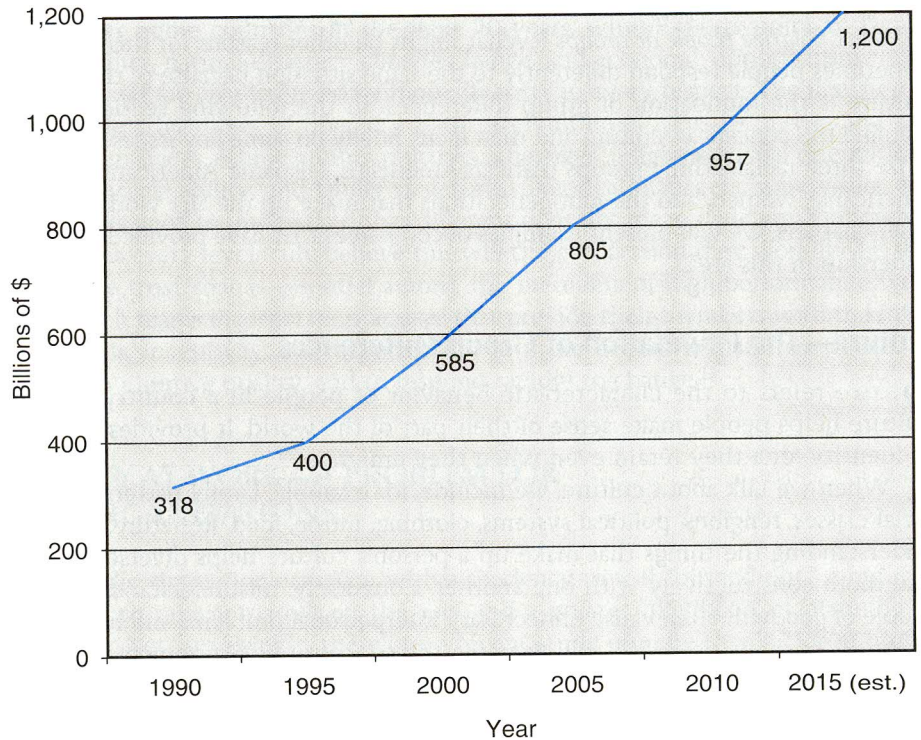
- According to the U.S. Census Bureau, African Americans own 1.9 million businesses in the United States (38 percent of the owners are women), employ more than 921,000 people, and generate \$137.5 billion in revenue.<sup>24</sup>
- Buying power of African-American consumers reached \$1 trillion in 2013, and is projected to reach \$1.2 trillion by 2015<sup>25</sup> (see Figure 4-2).
- Among the *Fortune* 500 largest firms, there were seven African-American chief executive officers in 2014.<sup>26</sup>
- In DiversityInc’s 2013 survey, for example, the top companies for African Americans were Sodexo, Coca-Cola, Kaiser Permanente, Cox Communications, AT&T, and Southern Company.<sup>27</sup>

Despite these encouraging trends, sometimes progress only comes through the legal system. For example, in November 2000, Coca-Cola Company agreed to a record \$192.5 million settlement to a race discrimination lawsuit that alleged wide disparities in pay, promotions, and performance evaluations. The cost to Coke included \$113 million in cash, \$43.5 million to adjust salaries of African-American employees over the subsequent 10 years, and \$36 million for implementation of various diversity

Figure 4-2

African-American buying power in billions of dollars.

(Data from Fahmy, S. (2010, Nov 4.), Minority buying power report. Retrieved from [www.terry.uga.edu/news/releases/2010/minority-buying-power-report.html](http://www.terry.uga.edu/news/releases/2010/minority-buying-power-report.html) on June 20, 2011.)



initiatives and oversight by a seven-member panel of the company's employment practices.<sup>28</sup> Such settlements do lead to improvement, as Coca-Cola's own data show. Today, 20 percent of the company's U.S. workforce is comprised of African Americans, and 41 percent of the company is female, with three blacks and three women on the Coca Cola Board of Directors. Even more impressive, the company made DiversityInc's Top 50 Companies for Diversity® list for the eleventh straight year.<sup>29</sup> Coca-Cola uses quarterly monitoring to ensure that individuals are being hired, retained, promoted, and rewarded on a fair and consistent basis. Continued monitoring is necessary, because, as has often been noted, "With diversity, there is no endgame."

Among companies that are committed to making diversity a competitive advantage, here are some other practices to consider:<sup>30</sup>

- Hire only those search firms with a solid track record for providing diverse slates of candidates for positions at all levels.
- Forge links with colleges and universities with significant numbers of minority students, and bring real jobs to the recruiting table.
- Start formal mentoring and succession programs to ensure that minorities are in the leadership pipeline.
- Include progress on diversity issues in management performance reviews and compensation.
- Set specific goals in critical areas, such as the percentages of minorities and women hired, promoted, and in the overall workforce. Also set goals for the amount of business conducted with outside vendors owned by minorities and women.
- Provide all employees with confidential outlets to air and settle grievances, for example, telephone and e-mail hot lines.



Employee networks can help ensure that products and services are relevant and culturally appropriate to various customer segments.

## Hispanics in the Workforce

Hispanics, who will comprise 19.1 percent of the civilian labor force by the year 2022,<sup>31</sup> experience many of the same disadvantages as African Americans. However, the term *Hispanic* encompasses a large, diverse group of people who come from distinctively different ethnic and racial backgrounds and who have achieved various economic and educational levels. For example, a third-generation, educated, white Cuban

### BOTTOM-LINE BENEFITS OF DIVERSITY AT PEPSICO\*

In 2006 Indra Nooyi took the helm as CEO of PepsiCo, the largest U.S. company by market capitalization to put a woman in charge. Given Pepsi's culture, that is no surprise. It is well known that diversity programs cannot succeed without commitment from the organization's top executives. Nooyi's predecessor, CEO Steve Reinemund, was certainly committed. He enforced aggressive hiring and promotion rules. Half of all new hires at Pepsi have to be either women or ethnic minorities. And managers now earn their bonuses, in part, by how well they recruit and retain them. Today, 31 percent of Pepsi's U.S.-based executives are women, and in 2012, women, people of color, and people from diverse ethnic backgrounds comprised more than 60 percent of college recruits. PepsiCo sells its products in more than 200 countries and territories. By the end of 2013, international markets made up half of PepsiCo's \$65.5 billion in revenue.

The diversity push is part of Pepsi's game plan to understand better the disparate tastes of new consumers as it continues to expand globally. To do that, it needs to tap the creative, cultural, and creative skills of a variety of employees and to use

### HR BUZZ



\*PepsiCo: Diversity and inclusion. (2013). Retrieved from <http://www.pepsico.com/Purpose/Talent-Sustainability/Diversity-and-Inclusion> on April 3, 2014. 50 most powerful women: Global edition. (2014, Feb. 24). *Fortune*, pp. 66-70. Yang, J. L. (2006, Sept. 4). Pepsi's diversity push pays off. *Fortune*, p. 32.

those skills to improve company policies, products, and customer experiences. The Latino Employee Network at Frito-Lay, the snack-food division of PepsiCo, did just that. During the development of Doritos Guacamole-Flavored Tortilla Chips, members of the network provided feedback on the taste and packaging to help ensure that the product would be regarded as authentic in the Latino community. Their insight helped make the guacamole-flavored Doritos one of the most successful new-product launches in the company's history, generating more than \$100 million in sales in its first year alone.

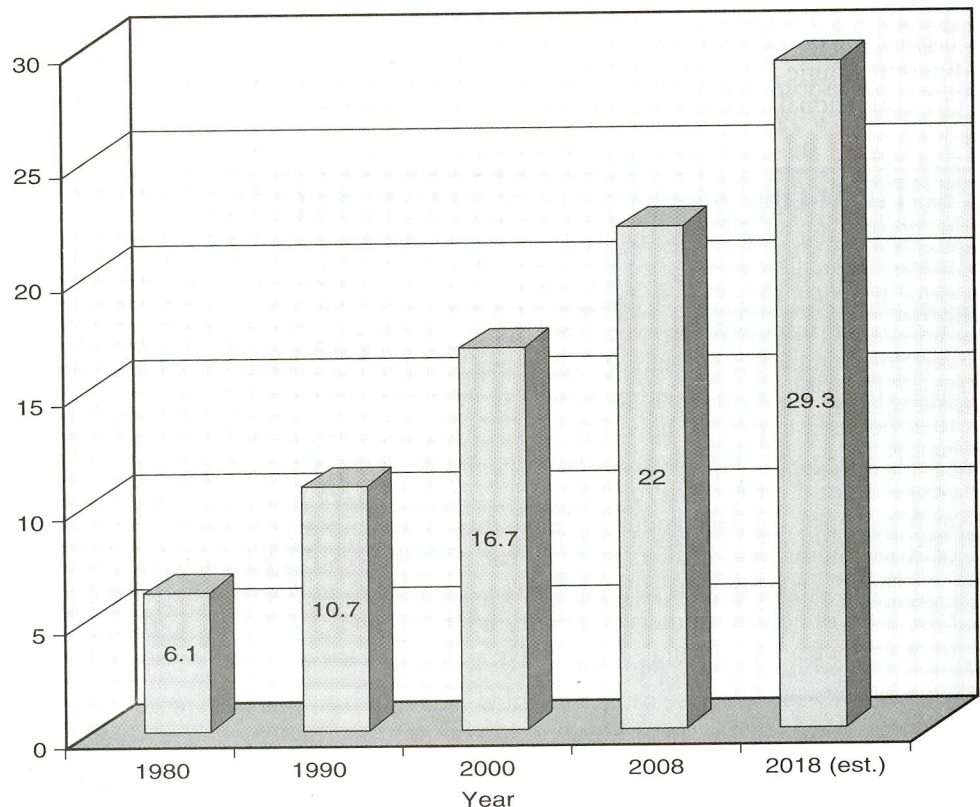
American has little in common with an uneducated Central American immigrant of mainly Native American ancestry who has fled civil upheaval and political persecution. Despite the fact that their differences far outweigh their similarities, both are classified as Hispanic. Why? Largely because of the language they speak (Spanish), their surnames, or their geographical origins.

Mexicans, Puerto Ricans, and Cubans constitute the three largest groups classified as Hispanic. They are concentrated in four geographic areas: Mexican Americans reside mostly in California and Texas, Puerto Ricans mostly in New York, and a majority of Cuban Americans in Florida. These four states account for 73 percent of the firms owned by Hispanics. Between 1990 and 2012 the number of Hispanic entrepreneurs in the U.S. more than tripled, from 577,000 to more than 2 million. During the same period, the number of non-Hispanic entrepreneurs grew just 14 percent.<sup>32</sup> Labor-force participation rates for Hispanics (as a group) are growing rapidly, as Figure 4-3 shows.

**Figure 4-3**

Growth of the civilian Hispanic labor force (in millions), 1980-2018 (est.).

(Source: Toossi, M. (2009, Nov.). Employment outlook: 2008-2018. *Monthly Labor Review*, pp. 30-51.)



## AETNA: EMBEDDING DIVERSITY INTO THE FABRIC OF THE BUSINESS\*

### HR BUZZ



Aetna is one of the nation's leading diversified healthcare-benefits companies, serving approximately 37.2 million people. Its healthcare network includes 4,919 hospitals, more than 843,000 healthcare professionals, and more than 490,000 primary-care doctors and specialists. More than 33,000 employees work for the company. Of those, 31 percent are people of color and 76 percent are women. People of color hold 16 percent of management/supervisory positions, and 15 percent of senior leaders are people of color. Women hold 62 percent of management/supervisory positions, and 26 percent of senior leaders are women.

Aetna employees live by a set of core values, known as the Aetna Way, which put the people who use the company's services at the core of everything it does. While business results are important, Aetna's senior managers believe that *how* the company achieves those results—how it makes a difference for the people it serves—is every bit as important. The four core values are: integrity, employee engagement, excellence and accountability, and quality service and value. Notice how they all revolve around Aetna's customers. Each value also describes how employees are expected to behave.

- **Integrity:** Do the right thing for the right reason, honor commitments, and behave ethically.
- **Employee engagement:** Lead people to success, value diversity, and build confidence and pride in our company.
- **Excellence and accountability:** Make a fair profit, innovate, anticipate the future—look, listen, and learn.
- **Quality service and value:** Make it easy. Eliminate hassles; make Aetna the standard by which others are judged; build trusting, valued relationships with all constituents.

### The “ICE” Strategy

Aetna's diversity strategy is a unique marriage of values and business strategy with roots from more than 35 years ago. Its core components are integration, communication, and education (ICE). *Integration* means that all diversity components are working together across the enterprise (marketing, HR, Aetna's philanthropic foundation, investments, procurement, sales, etc.), and that they are fully integrated into the short- and long-term business-planning process. *Communication* is the creation and dissemination of information to all employees and customers. Finally, *education* means deepening the understanding of what the diversity strategy is, including its components, the ways in which it is manifested in Aetna's business strategy, the people who are included, and the creation of development tools to increase individual and organizational competencies.

The outcome of this strategy is twofold: (1) to serve customers in current markets more effectively, while (2) identifying opportunities in new markets. It recognizes that Aetna's future success depends on a deep knowledge of all employee segments; clear and consistent communication to disseminate information to employees, customers,

\*Sources: Aetna. 2010 Diversity Annual Report. Retrieved from [www.aetna.com/diversityannualreport/pdf/2010DiversityAR.pdf](http://www.aetna.com/diversityannualreport/pdf/2010DiversityAR.pdf). See also Aetna. Key statistics (2014, Apr. 2). Retrieved from <http://finance.yahoo.com/q/ks?s=aet> on April 3, 2014. See also Cascio, W. F. (2009). *Aetna: Investing in Diversity*. Alexandria, VA: Society for Human Resource Management.

and other key constituents; and an increased focus on developing the cultural awareness and competency necessary to sustain its business success. To be sure, Aetna's ICE strategy extends well beyond diversity awareness to that of a strategic advantage.

### Payoffs from Aetna's Diversity Efforts

Aetna's business results are impressive. Its market value has zoomed from \$3.3 billion in 2001 to more than \$27 billion in 2013. Aetna's net income rose from a loss of \$291.5 million in 2001 to \$1.91 billion in 2013. Undoubtedly, much of the turnaround in business results can be traced to a more focused business strategy, but at the same time, the CEO made diversity a key business imperative. That aspect of Aetna's strategy has also paid off.

To begin to appreciate the broad range of recognition the company has received, consider just a few of its recent awards:

- Top 40 Companies for Diversity, *Black Enterprise* magazine.
- Readers' Choice, Best Diversity Company, *Engineering & Information Technology* magazine, diversity/careers category.
- Top 10 Companies for Executive Women, National Association for Female Executives.
- Top 50 Companies for Latinas, *Latina Style* magazine.
- Top employer for leadership and accomplishment in hiring and promoting people with disabilities, State of Connecticut Department of Social Services.
- 5-Star Employer Award, U.S. Department of Defense, Employer Support of the Guard and Reserve.
- Out and Equal Workplace Advocates "Champion Award" presented to Aetna's CEO; it recognizes a non-lesbian, -gay, -bisexual, or -transgender (LGBT) person who has played a pivotal role in championing equal treatment of LGBT employees on the job and has demonstrated a significant commitment to LGBT workplace rights.
- America's Most Admired Companies, *Fortune* magazine, #1 in the health care insurance category.
- One of the 50 best places to launch a career, *Business Week*.

As these awards make clear, Aetna embraces diversity in its full breadth and richness—and it pays off handsomely.

Hispanics are also getting wealthier, as mean household income reached \$39,005 in 2012.<sup>33</sup> Buying power among Hispanics—that is, the total personal income available after taxes for goods and services—is difficult to measure accurately, partly because of language and education differences, but is expected to soar from \$1.2 trillion in 2012 to \$1.5 trillion in 2015, accounting for nearly 11 percent of the nation's total buying power.<sup>34</sup>

To encourage greater diversity throughout its entire corporate structure, health-care benefits company Aetna is exemplary.

### Asian Americans in the Workforce

The share of the workforce comprised by Asian Americans was 5.3 percent in 2012 and is expected to reach an estimated 6.3 percent by 2022, largely due to immigration.<sup>35</sup> Buying power among Asian Americans has increased from \$269 billion in 2000 to \$718 billion in 2012 to an estimated \$1 trillion by 2017. It is propelled by

the fact that Asian Americans are better educated than the average American. Fully 50 percent of them ages 25 and over have a bachelor's degree or higher, compared with 28 percent of the total population. Thus, many hold top jobs, and the increasing number of successful Asian entrepreneurs also helps to increase the group's buying power.<sup>36</sup> Which are the best companies for Asian Americans to work for? Several notable ones are Applied Materials, Union Bank of California, Golden West Financial, Sempra Energy, and Schering-Plough. For example, at Applied Materials, a Santa Clara, California, maker of semiconductor equipment, Asians comprise 26.7 percent of the workforce. Minorities as a group comprise 39.4 percent of the workforce and 29.7 percent of officials and managers. The company focuses on diversity at the grassroots level, funding a San Jose charter school that seeks to get Latino students into college. At Union Bank of California, Asians comprise 25 percent of the workforce. Minorities as a group comprise 55.6 percent of the workforce, 38.6 percent of officials and managers, and 57 percent of new hires.

At United Parcel Service (UPS), diversity efforts have paid off handsomely. For example, Jennifer Kannar, a Hong Kong-raised product manager, proposed a bilingual support center to win the business of Korean-American entrepreneurs in Southern California. The company took several months to evaluate the proposal—to Kannar's frustration—but ultimately approved the center. Kannar is now expanding to include Vietnamese, Chinese, and Japanese businesses. Had UPS not consciously striven for a diverse workforce, it may well have missed the opportunity Kannar saw.<sup>37</sup>

## Women in the Workforce

Over the past 30 years, women have raised their expectations and levels of aspiration sharply higher, largely because of the women's movement, coupled with landmark civil rights legislation and well-publicized judgments against large companies for gender discrimination in hiring, promotion, and pay. Today, women comprise 47 percent of the U.S. workforce, and they hold 51 percent of all managerial and professional positions. So much for the myth that women don't hold high-level business jobs because they supposedly don't aim high enough.<sup>38</sup> Indeed, the share who say most women can't "have it all" without making a lot of sacrifices at work and at home has fallen from 78 percent in 1997 to 66 percent in 2013.<sup>39</sup> Five key forces account for these changes:

1. *Changes in the family.* Legalized abortion, contraception, divorce, and a declining birthrate have all contributed to a decrease in the number of years of their lives most women devote to rearing children. About 75 percent of the 68 million working women in the U.S. will become pregnant,<sup>40</sup> and about 71 percent of mothers with children under 18 years of age work for pay outside the home, including 64 percent of mothers with children under six years old.<sup>41</sup> To lure new mothers back to work, employers like Bank of America, Accenture, and Boston Consulting Group are increasing maternity-leave pay, communicating benefits and support proactively, keeping in touch through maternity leave, offering meaningful jobs with reduced travel hours, and giving mothers fair access to bonuses and incentives.<sup>42</sup>

The proportion of single-parent family groups with children under age 18 has increased dramatically, and today, single mothers are more likely than married mothers to be employed.<sup>43</sup> This is not surprising, since women head most single-parent families, and most working women have little choice except to work.

2. *Changes in education.* Since World War II, increasing numbers of women have been attending college. Women now earn almost 57 percent of all undergraduate

degrees, 60 percent of all masters degrees, and 50 percent of all doctorates. Women also earn about 50 percent of all undergraduate business degrees and 55 percent of all MBAs.<sup>44</sup>

3. *Changes in self-perception.* Many women juggle work and family roles. This often causes personal conflict, and the higher they rise in an organization, the more that work demands of them in terms of time and commitment.<sup>45</sup> Many women executives pay a high personal price for their organizational status in the form of broken marriages or never marrying at all.<sup>46</sup> For example, according to a recent report by the Joint Economic Committee of Congress, female managers are less likely to be married than male managers, at rates of 59 percent versus 74 percent, respectively. The gap is even greater when it comes to children. Fully 63 percent of female managers are childless, compared with 57 percent of male managers. Of those managers who do have children, men on average have more children than their women counterparts.<sup>47</sup> Thus *a major goal of EEO for women is to raise the awareness of these issues among both women and men so that women can be given a fair chance to think about their interests and potential, to investigate other possibilities, to make an intelligent choice, and then to be considered for openings or promotions on an equal basis with men.*<sup>48</sup>
4. *Changes in technology.* Advances in technology, both in the home (e.g., frozen foods, microwave ovens) and in the workplace (e.g., robotics), have reduced the physical effort and time required to accomplish tasks. Through technology more women can now qualify for formerly all-male jobs, and, for some women and for some types of jobs, technology makes virtual work arrangements possible, thus helping the women to balance their work and personal lives.<sup>49</sup>
5. *Changes in the economy.* Although there has been an increasing shift away from goods production and toward service-related industries, there are increasing numbers of female employees in all types of industries. Here are some statistics characterizing these changes:<sup>50</sup>
  - Today, women make up 29 percent of U.S. business owners, generating \$1.2 trillion in revenues.<sup>51</sup>
  - Women-owned businesses include the same types of industries as are in the *Fortune* 500.
  - Women comprise about 47 percent of the total U.S. labor force, a level that is projected to remain constant through 2022.<sup>52</sup>
  - Where women work: 40 percent in management, professional, and related occupations; 32 percent in sales and office occupations; 21 percent in service occupations; 5 percent in production, transportation, and material moving occupations; and 1 percent in natural resources, construction, and maintenance occupations.
  - Almost 80 percent of couples are dual earners.

The statistics presented thus far imply that women have made considerable economic gains over the past three decades. However, there are also some disturbing facts that moderate any broad conclusions about women's social and economic progress:

- Today, U.S. women who work full-time make about 81 cents for every dollar earned by men. The gap exists at all ages, but it is generally narrower when workers are young, and widens more significantly at about age 35. Asian-American women make the most, relative to men, while Hispanic women make the least.<sup>53</sup>

- As a group, women who interrupt their careers for family reasons never again make as much money as women who stay on the job. How much? Women overall lose an average of 18 percent of their earning power when they take an off-ramp. In business, it's 28 percent. The longer the time out, the more severe the penalty. Three or more years out and women lose 37 percent of their earning power.<sup>54</sup> The mommy penalty persists.<sup>55</sup>
- Women in paid jobs still bear most of the responsibility for family care and housework.

### Conclusions Regarding Women in the Workforce

The clearest picture we need to see from the data reflecting all these changes is this: If all the working women in the United States were to quit their jobs tomorrow and stay at home to cook and clean, businesses would disintegrate. There is no going back to the way things were before women entered the workforce. What many people tend to think of as women's issues really are business and competitiveness issues. Examples: Companies that routinely don't offer child care and flexibility in work scheduling will suffer along with their deprived workers.<sup>56</sup> Women are not less committed employees; working mothers especially are not less committed to their work. Three-quarters of professional women who quit large companies did so because of lack of career progress; only 7 percent left to stay at home with their children.<sup>57</sup>

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## IBM—CHAMPION OF GLOBAL DIVERSITY AND FAMILY-FRIENDLY POLICIES\*

HR BUZZ



In 2013, DiversityInc named IBM the number one company for global diversity, and the company has made *Working Mother* magazine's list of 100 Best Companies for Working Mothers for more than 15 consecutive years, and is a member of the magazine's Hall of Fame. It continues to set lofty standards by researching new programs and policies, expanding and improving old ones, and extending such efforts worldwide. In keeping with its mission of becoming "the premier global employer for working mothers," IBM offers dependent care in 42 countries, and has spent \$263 million on dependent care since 1983. Its Global Partnership for Workforce Flexibility sponsors pilot projects on alternative work arrangements and examines cultural barriers.

In the United States, no company can top IBM's leave for childbirth, which gives mothers six weeks of paid leave; mothers and fathers are both eligible for *three years* of unpaid, job-guaranteed time off with benefits. (However, if business needs require it, parents may be asked to come back part time after one year.) With a dependent-care fund of \$8.3 million, IBM also ranks high on child care, supporting three on-site and 68 near-site centers—where employees' children have priority access—and more than 1,600 family child-care homes. If parents want to phase back gradually, they can reduce their work hours and take intermittent breaks during that three-year period. The company also offers a virtual support group for employees taking care of elderly parents.

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\*Source: Working Mother. 2013 Working Mother 100 Best Companies. Retrieved from <http://www.working-mother.com/best-companies/2013-working-mother-100-best-companies> on April 3, 2014. See also The 2013 DiversityInc top 10 companies for global diversity. Retrieved from <http://www.diversityinc.com/top10globaldiversity/> on April 3, 2014.

Businesses should react to the kinds of issues reflected in these examples based not on what is the right or wrong thing to do, but on what makes economic sense to do—which usually also is the right thing to do.

It is important that executives see that creative responses to work/family dilemmas are in the best interests of both employers and employees. Adjustments to work schedules (flextime), extended maternity and paternity leaves, and quality day care based near the job come a little closer to workable solutions. Chapter 10 will consider this issue in greater detail, but for now let's consider some practical steps that IBM is taking.

## Age-Based Diversity

At present, the U.S. workforce is populated by four different generations of workers, each with different, often conflicting values and attitudes.<sup>58</sup> Here is a brief sketch of each.

- The **silent generation** (born 1930–1945) was born in the middle of the Great Depression. Too young to have fought in World War II, they were heavily in demand. Many went to the best colleges, were courted by corporations, rose rapidly, and were paid more than any other group in history. In return they embraced their elders' values and became good "organization men" (i.e., they gave their hearts and souls to their employers and made whatever sacrifices were necessary to get ahead; in return, employers gave them increasing job responsibility, pay, and benefits). Many members of the silent generation have retired, but others hold positions of power (e.g., corporate leaders, members of Congress).
- The **baby-boom generation** (born 1946–1964) currently accounts for 78 million people and 54 percent of the workforce, but it is not a homogeneous group. Experts typically divide it into early boomers (1946–1954) and late boomers (1955–1964). Each group was socialized differently and had different experiences while growing up. Generally speaking, boomers believe in rights to privacy, due process, and freedom of speech in the workplace; that employees should not be fired without just cause; and that the best should be rewarded without regard to age, gender, race, position, or seniority. Boomers represent a huge base of knowledge and talent in organizations. They bring years of management and leadership expertise that cannot be replaced easily.<sup>59</sup> Fortunately, they do not change jobs frequently. Median years of tenure on the job is only 3.2 for workers ages 25 to 34, but 10.3 for those aged 55 to 64.<sup>60</sup>
- **Generation X**, also known as "baby busters" (born 1965–1980), represent approximately 50 million Americans, or about one-third of the workforce. Generation X-ers are a cross between the hierarchy-embracing Boomers and the team-driven Millennials, especially when looking at Gen X-ers born at either end of their era.<sup>61</sup> Hurt more by parental divorce and having witnessed corporate downsizing first-hand, they tend to be independent and cynical and do not expect the security of long-term employment. On the other hand, they also tend to be practical, focused, and future oriented. They demand interesting work assignments, and thrive on open-ended projects that require sophisticated problem solving. This is a computer-literate generation. Five characteristics define the kinds of work environments that Gen Xers find most rewarding: (1) control over their own schedules, (2) opportunity to improve their marketable skills, (3) exposure to decision makers, (4) the chance to put their names on tangible results, and (5) clear areas of responsibility.<sup>62</sup>

- **Generation Y**, also known as “Millennials,” (born 1981–1995) includes offspring of the baby boomers as well as an influx of immigrants throughout the 1990s. With more than 78 million members, it will comprise more than 40 percent of the U.S. workforce by 2020, and fully half of the global workforce before that.<sup>63</sup> Each country’s millennials are different, but because of globalization, social media, the exporting of western culture, and the speed of change, millennials worldwide are more similar to one another than to older generations within their nations.<sup>64</sup> Generation Y has grown up amid more sophisticated technologies and has been exposed to them earlier than members of Generation X ever were. This is a group that grew up texting and instant messaging. Multitasking is easy for them. Millennials are more accepting of differences, not just among gays, women, and minorities, but among everyone. Their mantra is simple: challenge convention; find new and better ways of doing things.<sup>65</sup> This implies both good news and bad news for employers. The good news is that Generation Y will be good at engaging in multiple tasks, filtering out distractions, and juggling numerous projects. The bad news: short attention spans, the constant need for stimulation/entertainment, and a blurring of the lines between work and leisure time while on the job.<sup>66</sup>

### Intergenerational Conflict

Evidence indicates that the incidence of intergenerational conflict is low, and that many myths exist about generational differences.<sup>67</sup> When it does occur, such conflict seems to stem from three primary causes: work ethic (different generations have different perceptions of what makes an employee dedicated), organizational hierarchy (some members of younger generations bypassing the chain of command; some members of older generations believing that seniority trumps qualifications), and managing change (some members of older generations are perceived as reluctant to change, while members of younger generations seem eager to try new ideas constantly).

In terms of solutions to intergenerational conflict, it appears that separating workers from different generations does not work. What does work is communicating information in multiple ways (oral and written, formal and informal) thereby addressing different generations’ learning styles. Two other solutions are collaborative decision making (“co-creation”) and training managers to handle generational differences. At the same time, it is important to recognize that all generations want to be treated with respect. They want leaders whom they can trust. Most people are uncomfortable with change, everyone wants to learn, and everyone likes feedback.<sup>68</sup>

## MANAGING DIVERSITY

As we have seen, racial and ethnic minorities, women, and immigrants will account for increasingly larger segments of the U.S. labor force over time. And there are other large and growing groups—older workers, workers with disabilities, gay/lesbian workers, members of Generations X and Y—that also affect the overall makeup of the workforce. Businesses that want to grow will have to rely on this diversity. Let us consider some practical steps that managers can take to prepare for these forthcoming changes.

### Racial and Ethnic Minorities

To derive maximum value from a diverse workforce—not merely to tolerate it—corporations now realize that it’s not enough just to start a mentoring program

or to put a woman on the board of directors. Rather, they have to undertake a host of programs—and not just inside the company. ChevronTexaco and Dow Chemical are building ties with minorities as early as high school. Rockwell Collins is building closer relationships with schools that have strong engineering programs as well as sizable minority populations. Cedar Rapids, Iowa-area employers have banded together with colleges and other organizations to promote diversity in the community.<sup>69</sup> More specifically, to attract and retain racial and ethnic minorities, consider taking the following steps:<sup>70</sup>

- *Focus* on bringing in the best talent, not on meeting numerical goals. At PepsiCo, for example, “diversity is no longer about counting heads; it’s about making heads count.”<sup>71</sup>
- *Establish* mentoring programs among employees of same and different races.
- *Hold* managers accountable for meeting diversity goals.
- *Develop* career plans for employees as part of performance reviews.
- *Promote* racial and ethnic minorities to decision-making positions, not just to staff jobs.
- *Diversify* the company’s board of directors.

Diversity should be linked to every business strategy—for example, recruiting, selection, placement (after identifying high-visibility jobs that lead to other opportunities within the firm), succession planning, performance appraisal, and reward systems. Companies such as Four Seasons Hotels, Marriott, Qualcomm, Men’s Wearhouse, and USAA do that extremely well.<sup>72</sup> Here are several other examples.

## Female Workers

Here are six ways that firms today provide women with opportunities not previously available to them:<sup>73</sup>

### HR BUZZ



*Diverse by Design*<sup>®</sup>

### CITIGROUP, BANK OF AMERICA, AND ABBOTT LABORATORIES

Citigroup has three women and three minorities on its board of 12. It also provides a publicly available diversity report, available on its website.

At Bank of America, a 25-member executive diversity-advisory committee oversees 40 diversity councils across its national operations. That committee also ensures that top management, whose pay and incentives are tied to progress, sets targets to increase diversity in hiring. At Abbott Laboratories, the drug-maker has gone all out in its diversity efforts. Minorities now constitute 33 percent of new hires, 23 percent of the board of directors, and 20 percent of employees in career-tracking efforts as well as 11 of the 50 top-paid executives. New-employee affinity groups include separate ones for Chinese, Ibero Americans, and African Americans, among others.

What do these firms have in common? All are sending strong signals that they value workforce diversity, inclusion, and equal opportunities for people to succeed and to prosper.

<sup>69</sup>Adams, S. (2013, Mar. 7). The best and worst companies for women and minorities. Forbes. Retrieved from <http://www.forbes.com/sites/susanadams/2013/03/07/the-best-and-worst-companies-for-women-and-minorities/> on April 5, 2014, America’s 50 best companies for minorities. *Fortune*. n.d., Retrieved from [www.fortune.com](http://www.fortune.com) on Nov. 6, 2004.

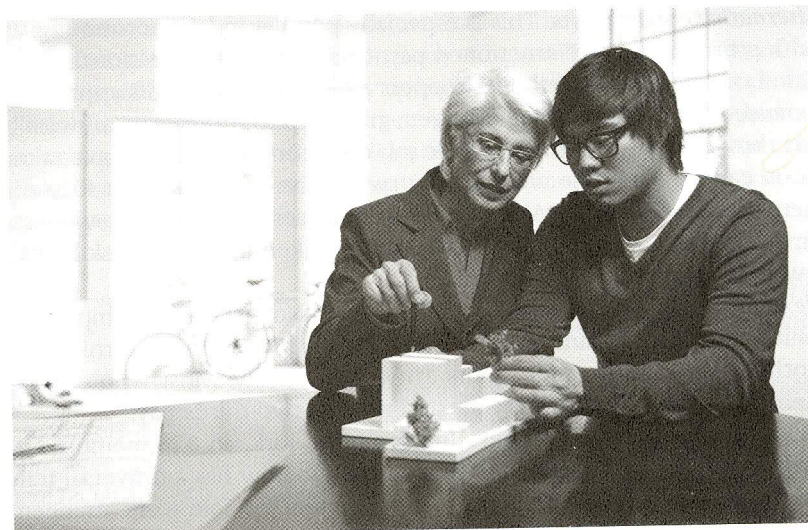
1. **Alternative career paths.** This is especially popular in law, accounting, and consulting firms that have sanctioned part-time work for professionals. Booz Allen Hamilton and PricewaterhouseCoopers are champions of this approach.
2. **Extended leave.** IBM, as we have seen, grants up to three years off with benefits and the guarantee of a comparable job on return. However, leave-takers must be on call for part-time work during two of the three years. At Russell Investment Group (Tacoma, Washington), associates receive eight weeks of paid time off after 10 years of service. It can be taken in one 8-week block or two 4-week blocks.
3. **Flexible scheduling.** At NCNB, a bank based in North Carolina, employees create their own schedules and work at home. After six months' maternity leave, new mothers can increase their hours at work gradually. Most who choose to cut their hours work two-thirds time and receive two-thirds pay.
4. **Flexitime.** Through its Women's Interests Network, an 825-member task force with chapters in five states, American Express now has a universal framework for employees and their managers to implement flexible work arrangements at all of the company's 1,675 locations. Today, progressive employers like Ernst & Young make access to flexibility a "conversational process" with all employees, not just to a favored few.<sup>74</sup>
5. **Job sharing.** This is not for everyone, but it may work especially well with clerical positions where the need for coordination of the overall workload is minimal; that is, activities such as filing, word processing, and photocopying are relatively independent tasks that workers can share. In contrast, development of a new product or a new marketing campaign often requires a continuity of thought and coordinated action that cannot easily be assigned to different workers or managers. At Steelcase, the office-equipment manufacturer, for example, two employees can share a title, workload, salary, health benefits, and vacation.
6. **Teleworking.** This is work carried out in a location that is remote from central offices or production facilities, where the worker has no personal contact with coworkers but is able to communicate with them using electronic means. It is a popular and rapidly growing alternative to the traditional, office-bound work style. At IBM, for example, efforts to create a flexible work environment have been so successful that 40 percent of its nearly 400,000 employees work from home, on the road, or at a client location on any given day. Survey results indicate that employees want more opportunities for telework and that their top priority is to gain the flexibility to control their own time.<sup>75</sup>

## Generations X and Y

Here are 11 suggestions for integrating Generations X and Y into the workforce:<sup>76</sup>

- Explain to them how their work contributes to the bottom line.
- Always provide full disclosure.
- Create customized career paths.
- Allow them to have input into decisions.
- Provide public praise.
- Treat them as sophisticated consumers.
- Encourage the use of mentors.

Different generations have much to learn from each other.



- Provide access to innovative technology. For example, IBM uses every imaginable technology—from blogs and podcasts to online brainstorming sessions called “jams”—to create a virtual network of peers, mentors, and senior staff.
- Consider new benefits and compensation strategies.
- Offer opportunities for community involvement.
- Emphasize “You can do it your way—in a collegial work environment.” Nearly a quarter of DreamWorks’ 2200 employees are under thirty, and the studio has a 96 percent retention rate. What’s the secret? It recognizes that employers have to provide more than money; they have to take a more holistic approach. Thus, during work hours at DreamWorks you can take classes in photography, sculpting, painting, cinematography, and martial arts.<sup>77</sup>

In terms of compensation, it seems to be more important to Gen Xers. In contrast, Gen Yers rate six types of rewards at least as important as compensation: high-quality colleagues, flexible work arrangements, prospects for advancement, recognition from one’s company or boss, a steady rate of advancement and promotion, and access to new experiences and challenges.<sup>78</sup> With respect to community involvement, both generations have high rates of volunteerism. They will look for opportunities to continue this in the context of the workplace.

## Older Workers

In 1990, about 56 percent of persons aged 55–64 were in the U.S. labor force. By the end of 2008 that percentage had climbed to 64.5 percent, and it will rise to 68.1 by 2018.<sup>79</sup> As we saw in Chapter 1, between 2010 and 2050 the percentage of workers over 55 will rise from 19 to 24 percent. Roughly, 75 percent of them expect to work, at least part-time, during retirement.<sup>80</sup> To be sure, their experience, wisdom, and institutional memories (particularly about mission-critical procedures and processes) represent important assets to firms. As important elements of the diversity mix, progressive organizations will continue to develop and use

these assets effectively. Here are six priorities to consider to maximize the use of older workers:<sup>81</sup>

1. *Age/experience profile.* Executives should look at the age distribution across jobs, as compared with performance measures, to see what career paths for older workers might open in the future and what past performance measures have indicated about the kinds of knowledge, skills, abilities, and other characteristics necessary to hold these positions. Why do this? Because it's important to identify types of jobs where older workers can use their experience and talents most effectively.
2. *Job-performance requirements.* Companies should then define more precisely the types of abilities and skills needed for various posts. While physical abilities decline with age, especially for heavy lifting, running, or sustained physical exertion (needed in jobs such as fire fighting and law enforcement), mental abilities generally remain stable well into a person's eighties. Clear job specifications must serve as the basis for improved staffing, job design, and performance-management systems. For example, jobs may be designed for self-pacing, may require periodic updating, or may require staffing by people with certain physical abilities.
3. *Performance management.* Not only must a firm analyze the requirements of jobs better, there must also be improved ways of managing the performance of workers in those jobs. For example, age biases may be reflected in managers' attitudes. This is known as **age grading**: subconscious expectations about what people can and cannot do at particular times of their lives. Contrary to common belief, most mature workers are still interested in self-improvement. Like other workers, they want feedback on how they could do their jobs better or extend their careers.
4. *Workforce-interest surveys.* Once management understands the abilities its older workers have, the next step is to determine what they want. Survey workers to determine their career goals so that the ones who are capable of achieving their goals won't stall. Not only must management decide that it wants to encourage some older workers to continue with the organization, it must also consider selectively encouraging turnover of workers it doesn't want to continue. And, of course, management must evaluate what effects different incentives will have on the workers it wants to continue and on the ones it doesn't.
5. *Training and counseling.* To meet the needs of the workforce remaining on the job, firms need to develop training programs to avoid **mid-career plateaus** (i.e., performance at an acceptable but not outstanding level, coupled with little or no effort to improve one's current performance), as well as training programs to reduce **obsolescence** (the tendency for knowledge or skills to become out of date). These programs must reflect the special needs of older workers, who can learn but need to be taught differently (e.g., by using self-paced programs instead of lectures).
6. *The structure of jobs.* To whatever degree management may consider changing older workers' work conditions, such as work pace or the length or timing of the workday, it should explore the proposed changes jointly with the workforce. After all, multiple generations are likely to be affected by the changes, and whether boomers, Gen Xers, or Gen Yers, all are more likely to support what they helped to create.

## Workers with Disabilities

Know this: Prospective employers want to know what job applicants can do for them, not what their limitations are. If you can show a prospective employer that you will bring in customers, design a new product, or do something else that makes a contribution, employers will hire you. Your disability won't matter if you can prove that you will contribute to the employer's bottom line. Organizations may not have jobs, but they always have problems. If you can show that you are a problem solver, then it won't matter if you are blue, green, or confined to a wheelchair.

The fact is that poll after poll of employers demonstrates that they regard most people with disabilities—roughly 57 million in the United States—as good workers, punctual, conscientious, and competent—if given reasonable accommodation. Despite this evidence, persons with disabilities are less likely to be working than any other demographic group under age 65. While 68.5 percent of those without a disability are in the labor force, only 19.1 percent of those with a disability are.<sup>82</sup>

Perhaps the biggest barrier is employers' lack of knowledge. For example, many are concerned about financial hardship because they assume it will be costly to make architectural changes to accommodate wheelchairs and add equipment to aid workers who are blind or deaf. In fact, according to the Job Accommodation Network, more than half of the accommodations needed by employees and job applicants with disabilities cost absolutely nothing. Of those accommodations that do come at a price, the typical expenditure is around \$600, and there are tax incentives available to help businesses offset those costs.<sup>83</sup> Consider several possible modifications:<sup>84</sup>

- Placing a desk on blocks, lowering shelves, and using a carousel for files are all inexpensive accommodations that enable people in wheelchairs to be employed.
- Installing telephone amplifiers for hearing-impaired individuals or variable illumination for sight-impaired individuals is relatively easy. Much to their delight, employers have found that these systems helped them gain new customers with hearing or sight impairments.
- Flextime, job sharing, and other modifications to the work schedule that enable mothers with young children to continue to work are being used to help employees with AIDS, cancer, and other life-threatening diseases to continue to work.<sup>85</sup>

Actions like these enable persons with disabilities to work, gain self-esteem, and reach their full potential. That is a key objective of diversity at work.

## Gay/Lesbian/Bisexual/Transsexual Employees

Throughout this chapter we have emphasized that workforce diversity is a business issue: Either you attract, retain, and motivate the best talent or you lose business. Gay/lesbian/bisexual/transsexual (GLBT) employees, as a group, are highly educated; they comprise, by some estimates, 6 percent of the population (about 17 million people); and their buying power in 2013 was \$830 billion, which is growing by about 10 percent each year. GLBT consumers are very loyal to specific brands, wishing to support companies that support the gay community and also provide equal rights for GLBT workers.<sup>86</sup> Here's an example. Despite outside pressure not to do it,

Walgreens made a \$100,000 donation to support the Gay Games, a weeklong festival in Chicago that attracted 11,000 athletes. The company wanted to support its GLBT employees and to let gay and lesbian customers know that they are welcome at Walgreens.

Raytheon, the \$22 billion-a-year defense contractor, is a high-profile supporter of gay rights. Why? Not because gay people buy missiles or radar; rather it's because the competition to hire and retain engineers and other skilled workers is so brutal that Raytheon doesn't want to overlook anyone in the talent pool. This is one reason more than 75 percent of *Fortune* 1,000 firms have elected to add the words "sexual orientation" to their nondiscrimination policies and why more than two-thirds of *Fortune* 500 companies and 90 percent of all large employers now offer health benefits to same-sex couples—up from 6 percent in 1996.<sup>87</sup> Well-known companies such as Apple Inc., REI, Nike, Google, IBM, Intel, Raytheon, and J. P. Morgan Chase are just a few examples of companies that offer such benefits.<sup>88</sup>

Among corporations, IBM is the number one financial supporter of gay-rights groups in the United States, and it also supports employee GLBT groups in 23 other countries, including Singapore, Slovakia, and Colombia. It even convened a group of gay college students at the Human Rights Campaign to form a national organization of gay students in science and technology.<sup>89</sup> American Airlines' "Rainbow Team" of gay employees brought in \$192 million in revenue in one year by targeting the gay community.

Examples like these reveal that some of the largest and most successful companies recognize that treating all workers equally makes good business sense. Research consistently shows that unfair and discriminatory work environments cripple an organization's ability to recruit and retain the best and the brightest. They also stifle job performance and productivity. In short, workplace unfairness introduces otherwise avoidable inefficiencies and costs that detract from companies' bottom lines.<sup>90</sup>

As we have seen, the workforce is now and will continue to be more and more diverse. A list of actions that managers can take to deal with these changes is presented in Figure 4-4.

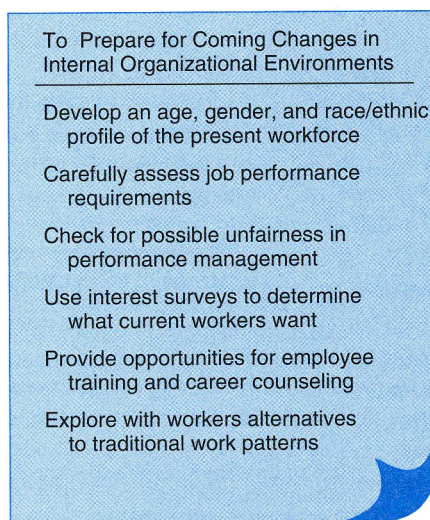


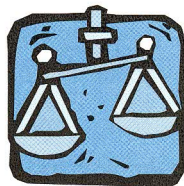
Figure 4-4

Priority listing of suggested actions to manage effectively the internal organizational environment of the future.

## ETHICAL DILEMMA

### Does Diversity Management Conflict with Maximizing Shareholder Value?

The main objective of profit-making businesses is to maximize overall returns to shareholders (increases in stock prices plus dividends). Because earnings affect this objective, management needs to determine the extent to which any new program—including any new workforce program—will affect the bottom line. There are sound business reasons why having a diverse workforce and managing it properly can increase shareholder value. However, companies generally tend to measure success in these programs by looking at indicators other than the bottom line. Affirmative action programs



and some diversity-awareness programs have been criticized strongly for adding costs to firms but little or no financial benefits.<sup>a</sup> Given the costs involved, can diversity programs be justified over time purely on philosophical and moral grounds (i.e., it's the right thing to do)?

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<sup>a</sup>Felton-O'Brien, M. (2008, Mar. 26). Fatigued by diversity initiatives. Retrieved from [www.hreonline.com/HRE/story.jsp?storyId=83036993&sub=false](http://www.hreonline.com/HRE/story.jsp?storyId=83036993&sub=false) on March 26, 2011. See also Cavaleros, C., Vuuren, L. J., and Visser, D. (2002). The effectiveness of a diversity awareness training program. *SA Journal of Industrial Psychology* 28(3), pp. 50-61.

## IMPACT OF DIVERSITY ON PRODUCTIVITY, QUALITY OF WORK LIFE, AND THE BOTTOM LINE

All employees, no matter whom, no matter at what level, want to be treated with respect. They want to know that their employer values the work they do. That's the most basic thing you must do in managing diversity.<sup>a</sup> And when diversity is managed well—as at Du Pont, Procter & Gamble, Monsanto, and Ernst & Young—productivity and the quality of work life improve. So do stock prices. Researchers examined the effect on stock prices of announcements of U.S. Department of Labor awards for exemplary diversity programs and announcements of damage awards from the settlement of discrimination lawsuits. Announcements of awards were associated with significant, positive excess returns that represent the capitalization of positive information concerning improved business prospects. Conversely, damage awards were associated with significant negative stock-price changes, which represent the capitalization of negative economic implications associated with discriminatory corporate practices.<sup>b</sup> A company can easily spend

\$100,000 to get a meritless lawsuit alleging unfair discrimination tossed out before trial. And if a case goes to a jury, the fees skyrocket to \$300,000, and often much higher.<sup>c</sup> As we noted earlier, diversity has evolved from being the correct thing to do to being the essential thing to do. It's a mistake, however, to think there is a cookie-cutter approach. Rather, the path to diversity success must take into account each organization's unique goals, resources, number of employees, business locations, product lines, and customer bases.<sup>d</sup>




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<sup>a</sup>Meister, J. C., and Willyerd, K. (2010). *The 2020 Workplace*. New York, NY: HarperCollins.

<sup>b</sup>Wright, P., Ferris, S. P., Hiller, J. S., and Kroll, M. (1995). Competitiveness through management of diversity: Effects on stock price valuation. *Academy of Management Journal* 38, pp. 273-287.

<sup>c</sup>Orey, M. (2007, Apr. 23). Fear of firing. *BusinessWeek*, pp. 52-62.

<sup>d</sup>Hastings, 2010, op. cit. See also Rand Corporation. (2008, Jan. 23). Path to diversity success varies according to company's history, culture, mission. Retrieved from [www.rand.org/news/press/2008/01/23.html](http://www.rand.org/news/press/2008/01/23.html) on March 10, 2008.

## IMPLICATIONS FOR MANAGEMENT PRACTICE

1. Workforce diversity is here to stay. There is no going back to the demographic makeup of organizations 20 years ago. To be successful in this new environment, learn to value and respect cultural styles and ways of behaving that differ from your own.
2. Recognize that there are tangible business reasons why managing workforce diversity effectively should be a high priority: (a) It is an opportunity to deepen understanding of the marketplace, the needs of various customers, and to penetrate new markets. (b) Demographic changes are coming so rapidly that employers will have to meet their hiring needs with a diverse labor force.
3. To maximize the potential of all members of the workforce, link concerns for diversity to



4. To retain talented women and minorities, follow the lead of Pepsi Bottling Group in developing long-term career plans that include stretch assignments—and don't be afraid to share the plan with the employees in question. As CEO, Eric Foss noted, "Give them a lot of profit-and-loss responsibility, and show them that you care. If you do that, then most of your great people are going to stay."<sup>a</sup>

<sup>a</sup>Retain talent, but develop it, Pepsi Bottling chief says, (2008, Apr. 21). *USAToday*, p. 5B.

## MAKING THE BUSINESS AND ETHICAL CASE FOR DIVERSITY

In the course of their five-year research project on the effects of diversity on business performance, researchers studied four large firms (two in information processing, one in financial services, and one in retail).<sup>91</sup> Further, in an effort to develop a valid picture of the current state of practice in managing diversity in large organizations, they discussed the state of practice with more than 20 large, well-known firms. With appropriate caution, they offered the following implications for practice:

1. **Modify the business case.** Start by recognizing that there is virtually no evidence to support the simple assertion that diversity is inevitably good or bad for business. Rather, focus on the conditions that can leverage the benefits from diversity, or at the very least, lessen its negative effects. Recognize that while diversity is a reality in labor markets and customer markets today, success in working with and gaining value from that diversity requires a sustained, systemic approach and long-term commitment. As one observer noted, "Diversity only endures when it is baked into the way the company does business every day."<sup>92</sup>
2. **Look beyond the business case.** While there is no reason to believe that diversity will translate naturally into better or worse business results, it is both a labor-market imperative and a societal expectation and value. Managers should therefore focus on building an organizational culture, HR practices, and the managerial and group-process skills needed to translate diversity into positive results at the level of the organization, the work group, and the individual.

**Human Resource  
Management  
in Action:  
Conclusion**

3. **Adopt a more analytical approach.** If firms are unable to link HR practices to business performance, then their ability to learn how to manage diversity effectively will be limited, as will their claims for diversity as a strategic imperative that justifies financial investments. More sophisticated data collection and analyses are necessary to understand diversity's consequences and to monitor the effects of diversity on attitudes and performance. Questions such as the following will be most useful: Under what conditions do work units that are diverse (e.g., with respect to gender, ethnicity, and other characteristics) outperform or underperform work units that are more homogeneous? What conditions moderate the potential negative or positive effects of diversity?
  4. **Experiment and evaluate.** Doing this requires that senior executives commit to learning and experimentation within their organizations. One of the reasons it is difficult to identify simple cause-and-effect relations between diversity and important business outcomes is that many other factors can affect those relationships. Examples include the nature of the task and the behavior of the leader, the degree of heterogeneity and the diversity characteristics of the work group, the extent of organizational support for diversity, and the effects of time. That is, some work groups function over long periods of time, while others work together for only short periods of time. Observers might draw different conclusions about the effects of diversity as a result of variations in these characteristics.
  5. **Help managers and team members develop skills in conflict resolution and effective communications.** Training to develop group process and leadership skills like these is essential. Managers who attempt to make diversity a resource for learning, change, and renewal will inevitably confront challenges in these areas. Training alone, however, is not likely to be sufficient. Organizations also need to implement management practices and HR policies that promote cultures of mutual learning and cooperation.
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## SUMMARY

More than half the U.S. workforce now consists of racial and ethnic minorities, immigrants, and women. White, native-born males, as a group, are still dominant in numbers over any other group, but today women comprise nearly half the entire workforce. The labor force will continue to age, with the annual growth rate of the 55-and-older group projected to be 1.0 percent from 2008 to 2018. By contrast, over the same time frame, the annual growth rate of the 25-to-54-year age group will be essentially flat, and that of the young age group consisting of 16-to-24-year-olds will actually be slightly negative (−0.8 percent).

Managing diversity means encouraging a heterogeneous workforce—which includes white men—to perform to its potential in an equitable work environment in which no one group enjoys an advantage or suffers a disadvantage. At least five factors account for the increasing attention companies are paying to diversity: (1) the shift from a manufacturing to a service economy, (2) the globalization of markets, (3) new