Managing Cultural Diversity: Implications for Organizational Competitiveness
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Managing cultural diversity: implications for organizational competitiveness

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Executive Overview

The recent business trends of globalization and increasing ethnic and gender diversity are turning managers' attention to the management of cultural differences. The management literature has suggested that organizations should value diversity to enhance organizational effectiveness. However, the specific link between managing diversity and organizational competitiveness is rarely made explicit and no article has reviewed actual research data supporting such a link.

This article reviews arguments and research data on how managing diversity can create a competitive advantage. We address cost, attraction of human resources, marketing success, creativity and innovation, problem-solving quality, and organizational flexibility as six dimensions of business performance directly impacted by the management of cultural diversity. We then offer suggestions for improving organizational capability to manage this diversity.

Article

Workforce demographics for the United States and many other nations of the world indicate that managing diversity will be on the agendas of organizational leaders throughout the 90s. For example, a recent report on the workforces of 21 nations shows that nearly all of the growth in the labor force between now and 2000 will occur in nations with predominately non-Caucasian populations. Behind these statistics are vastly different age and fertility rates for people of different racioethnic groups. In the United States for example, the average white female is 33 years old and has (or will have) 1.7 children. Corresponding figures for blacks are 28 and 2.4, and for Mexican-Americans, 26 and 2.9.[1]

Leading consultants, academics and business leaders have advocated that organizations respond to these trends with a "valuing diversity" approach. They point out that a well managed, diverse workforce holds potential competitive advantages for organizations.[2] However, the logic of the valuing diversity argument is rarely made explicit, and we are aware of no article that reviews actual data supporting the linkage of managing diversity and organizational competitiveness. This article reviews the arguments and research data on this link, and offers suggestions on improving organizational capability for managing cultural diversity. As shown in Exhibit 1, the term managing diversity refers to a variety of management issues and activities related to hiring and effective utilization of personnel from different cultural backgrounds.

Diversity as a Competitive Advantage
Social responsibility goals of organizations is only one area that benefits from the management of diversity. We will focus on six other areas where sound management can create a competitive advantage: (1) cost, (2) resource acquisition, (3) marketing, (4) creativity, (5) problem-solving, (6) organizational flexibility.[3] Exhibit 2 briefly explains their relationship to diversity management.

The first two items of the exhibit, the cost and resource acquisition arguments, are what we call the "inevitability-of-diversity" issues. Competitiveness is affected by

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Exhibit 1. Spheres of Activity in the Management of Cultural Diversity
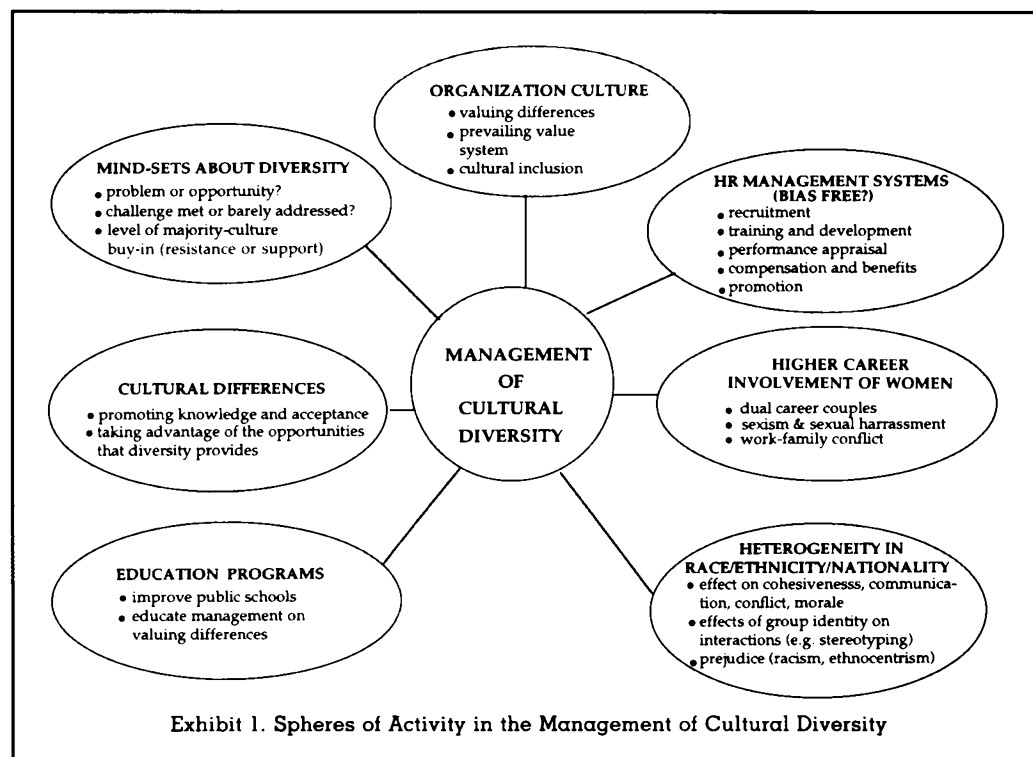
the *need* (because of national and cross-national workforce demographic trends) to hire more women, minorities, and foreign nationals. The marketing, creativity, problem-solving, and system flexibility argument, are derived from what we call the "value-in-diversity hypothesis"—that diversity brings net-added value to organization processes.

Cost
Organizations have not been as successful in managing women and racioethnic minorities (racially and/or ethnically different from the white/Anglo majority) as white males. Date shows that turnover and absenteeism are often higher among women and racioethnic minorities than for white males. For example, one study reported that the overall turnover rate for blacks in the United States workforce is forty percent higher than for whites. Also, Corning Glass recently reported that between 1980-87, turnover among women in professional jobs was double that of men, and the rates for blacks were 2.5 times those of whites. A two-to-one ratio for women/men turnover was also cited by Felice Schwartz in her article on multiple career tracks for women in management.[4]

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Job satisfaction levels are also often lower for minorities. A recent study that measured job satisfaction among black and white MBAs revealed that blacks were significantly less satisfied with their overall careers and advancement than whites.[5]

Frustration over career growth and cultural conflict with the dominant, white-male culture may be the major factor behind the different satisfaction levels. Two recent surveys of male and female managers in large American companies found that although women expressed a much higher probability of leaving their current employer than men, and had higher actual turnover rates, their primary reasons for quitting were lack of career growth opportunity or dissatisfaction with rates of progress. One of the surveys also discovered that women have higher actual turnover rates at all ages, and not just during the child-bearing and child-rearing years.[6]

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1. Cost Argument		As organizations become more diverse, the cost of a poor job in integrating workers will increase. Those who handle this well, will thus create cost advantages over those who don't.
2. Resource-Acquisition Argument		Companies develop reputations on favorability as prospective employers for women and ethnic minorities. Those with the best reputations for managing diversity will win the competition for the best personnel. As the labor pool shrinks and changes composition, this edge will become increasingly important.
3. Marketing Argument		For multi-national organizations, the insight and cultural sensitivity that members with roots in other countries bring to the marketing effort should improve these efforts in important ways. The same rationale applies to marketing to subpopulations within domestic operations.
4. Creativity Argument		Diversity of perspectives and less emphasis on conformity to norms of the past (which characterize the modern approach to management of diversity) should improve the level of creativity.
5. Problem-solving Argument		Heterogeneity in decision and problem solving groups potentially produces better decisions through a wider range of perspectives and more thorough critical analysis of issues.
6. System Flexibility Argument		An implication of the multicultural model for managing diversity is that the system will become less determinant, less standardized, and therefore more fluid. The increased fluidity should create greater flexibility to react to environmental changes (i.e., reactions should be faster and at less cost).

Exhibit 2. Managing Cultural Diversity Can Provide Competitive Advantage

Organizations' failure to manage women and racioethnic minorities as successfully as white males translates into unnecessary costs. Since eighty-five percent of net additions to the workforce during the decade of the 90's are expected to be women and radioethnic minorities, these costs will escalate in the coming years.

Organizations that fail to make appropriate changes to more successfully use and keep employees from different backgrounds can expect to suffer a significant competitive disadvantage compared to those that do. Alternatively, organizations quick to create an environment where all personnel can thrive should gain a competitive cost advantage over nonresponsive or slowly responding companies.

Cost implications in managing diversity also occur in benefits and work schedules. In one study, companies were assigned an "accommodation score" based on the adoption of four benefit-liberalization changes associated with pregnant workers. Analysis revealed that the higher a company's accommodation score, the lower the number of sick days taken by pregnant workers and the more willing they were to work overtime during pregnancy.[7]

Two other studies investigated the effect of company investment in day care on human resource cost variables. In one study, turnover and absenteeism rates for working mothers using a company-sponsored child development center were compared to those who either had no children or had no company assistance. Absenteeism for the day-care users versus the other groups was thirty-eight

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percent lower and the turnover rate was less than two percent compared to more than six percent for the nonbenefit groups. The second study showed that in a company that initiated an in-house child care facility, worker attitudes improved on six measures including organizational commitment and job satisfaction. In addition, turnover declined by sixty-three percent.[8]

Greater use of flextime work scheduling is another type of organizational accommodation to diversity. A recent field experiment assessing the impact of flextime use on absenteeism and worker performance found that both short- and long-term absence declined significantly. Three out of four worker efficiency measures also increased significantly.[9]

Cost savings of organizational changes must be judged against the investment. Nevertheless, the data strongly suggests that managing diversity efforts have reduced absenteeism and turnover costs, as cited earlier.

A recent field experiment assessing the impact of flextime use on absenteeism and worker performance found that both short- and long-term absence declined significantly.

Research evidence relevant to cost implications of managing diversity on some dimensions other than benefit and work-schedule changes comes from a UCLA study of the productivity of culturally heterogeneous and culturally homogeneous work teams. Among the heterogeneous teams, some were more and some were less productive than the homogeneous teams.[10] This research suggests that if work teams "manage" the diversity well, they can make diversity an asset to performance. For example, all members should have ample opportunity to contribute and potential communications, group cohesiveness, and interpersonal conflict issues need to be successfully addressed. Alternatively, if diversity is ignored or mishandled, it may detract from performance.

Actual cost savings from improving the management of diversity are difficult to determine. It is, however, possible to estimate those related to turnover. For example, let us assume an organization has 10,000 employees in which 35 percent of personnel are either women or racioethnic minorities. Let us also assume a white male turnover rate of ten percent. Using the previous data on differential turnover rates for women and racioethnic minorities of roughly double the rate for white males, we can estimate a loss of 350 additional employees from the former groups. If we further assume that half of the turnover rate difference can be eliminated with better management, and that total turnover cost averages $20,000 per employee, the potential annual cost savings is $3.5 million. This example only addresses turnover, and additional savings may be realized from other changes such as higher productivity levels.

Although accurate dollar cost savings figures from managing diversity initiatives of specific companies are rarely published, Ortho Pharmaceuticals has calculated its savings to date at $500,000, mainly from lower turnover among women and ethnic minorities.[11]

Resource Acquisition
Attracting and retaining excellent employees from different demographic groups is the second "inevitability"-related competitiveness issue. As women and racioethnic minorities increase in proportional representation in the labor pool, organizations must compete to hire and retain workers from these groups. Recently published accounts of the "best companies" for women and for blacks have made public and highlighted organizations which are leaders in organizational change efforts to effectively manage diversity.[12] In addition to listing the best companies, the publications also discuss why certain companies were excluded from the list.

The impact of these publications on recruitment of quality personnel has already begun to surface. Merck, Xerox, Syntex, Hoffman-La Roche, and Hewlett-Packard

have been aggressively using favorable publicity to recruit women and racioethnic minorities. According to company representatives, the recognitions are, in fact, boosting recruiting efforts. For example, Merck cites its identification as one of the ten best companies for working mothers as instrumental in recent increases in applications.[13]

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As these reputations grow, and the supply of white males in the labor market shrinks, the significance of the resource acquisition issue for organizational competitiveness will be magnified.

Marketing
Markets are becoming as diverse as the workforce. Selling goods and services is facilitated by a representational workforce in several ways. First, companies with good reputations have correspondingly favorable public relations. Just as people, especially women and racioethnic minorities, may prefer to work for an employer who values diversity, they may also prefer to buy from such organizations.

Second, there is evidence that culture has a significant effect on consumer behavior. For example, in the Chinese culture, values such as a tradition of thrift, and teenagers' deference to their parent's wishes in making purchases, have been identified as affecting consumer behavior.[14] While much of the research on cross-cultural differences in consumer behavior has focused on cross-national comparisons, this research is also relevant to intra-country ethnic group differences.

Immigration from Latin America and Asia will continue to be high in the 90's. This represents a large influx of first-generation Americans having strong ties to their root cultures. Acculturation patterns among Asian and Hispanic Americans indicates that substantial identity with the root cultures remain even after three or more generations of United States citizenship. This implies that firms may gain competitive advantage by using employee insight to understand culture effects on buying decisions and map strategies to respond to them.

USA Today provides a good example. Nancy Woodhull, president of Gannett News Media, maintains that the newspaper's marketing success is largely attributable to the presence of people from a wide variety of cultural backgrounds in daily news meetings. Group diversity was planned and led to a representation of different viewpoints because people of different genders and racioethnic backgrounds have different experiences shaped by group identities.

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Avon Corporation used cultural diversity to turn around low profitability in its inner-city markets. Avon made personnel changes to give Black and Hispanic managers substantial authority over these markets. These formerly unprofitable sectors improved to the point where they are now among Avon's most productive U.S. markets. Avon President Jim Preston commented that members of a given cultural group are uniquely qualified to understand certain aspects of the world view of persons from that group.

In some cases, people from a minority culture are more likely to give patronage to a representative of their own group. For at least some products and services, a multicultural salesforce may facilitate sales to members of minority culture groups.

Cultural diversification of markets is not limited to U.S. companies. Globalization is forcing major companies from many nations to address cultural difference effects among consumers. The fact that the U.S. contains one of the most culturally heterogeneous populations in the world represents a possible advantage in

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"national" competitiveness. Just having diversity, however, is not sufficient to produce benefits. We must also manage it.

Creativity
Advocates of the value-in diversity hypothesis suggest that work team heterogeneity promotes creativity and innovation (see endnote 1). Research tends to support this relationship. Kanter's study of innovation in organizations revealed that the most innovative companies deliberately establish heterogeneous teams to "create a marketplace of ideas, recognizing that a multiplicity of points of view need to be brought to bear on a problem" (p. 167). Kanter also specifically noted that companies high on innovation had done a better job than most on eradicating racism, sexism, and classism and, tended to employ more women and racioethnic minorities than less innovative companies.[15]

If people from different gender, nationality, and racioethnic groups hold different attitudes and perspectives on issues, then cultural diversity should increase team creativity and innovation.

Research by Charlene Nemeth found that minority views can stimulate consideration of non-obvious alternatives in task groups. In a series of experiments, participants were asked to form as many words as possible from a string of 10 letters. Individual approaches to the task were determined and then groups formed that were either majority (all members subscribed to the strategy for forming letters advocated by the majority of participants) and minority (non-majority individuals were present in the groups). Nemeth found that the "minority" groups adopted multiple strategies and identified more solutions than the "majority" groups. She concluded that the groups exposed to minority views were more creative than the more homogeneous, majority groups. She further concluded that persistent exposure to minority viewpoints stimulates creative thought processes.

Another experiment compared the creativity of teams that were homogeneous on a series of attitude measures against teams with heterogeneous attitudes. Problem solution creativity was judged on originality and practicality. Results indicated that as long as the team members had similar ability levels, the heterogeneous teams were more creative than the homogeneous ones.[16] If people from different gender, nationality, and racioethnic groups hold different attitudes and perspectives on issues, then cultural diversity should increase team creativity and innovation.

Attitudes, cognitive functioning, and beliefs are not randomly distributed in the population but tend to vary systematically with demographic variables such as age, race, and gender.[17] Thus, an expected consequence of increased cultural diversity in organizations is the presence of different perspectives for problem solving, decision making and creative tasks.

Specific steps must be taken however, to realize this benefit. The research shows that in order to obtain the performance benefits, it was necessary for heterogeneous team members to have awareness of the attitudinal differences of other members. Similarly, diversity needs to be managed in part, by informing work-group members of their cultural differences. In recognition of this, cultural awareness training has become a standard element of organization change projects focusing on managing diversity.

Problem Solving
Diverse groups have a broader and richer base of experience from which to approach a problem. Thus, managing diversity also has the potential to improve problem solving and decision making.

In the 1960s, several University of Michigan studies discovered that heterogeneous groups produced better quality solutions to assigned problems than homogeneous

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groups. Dimensions of group diversity included personality measures and gender. In one study, sixty-five percent of heterogeneous groups produced high quality solutions (solutions that provided either new, modified, or integrative approaches to the problem) compared to only twenty-one percent of the homogeneous groups. This difference was statistically significant. The researchers noted that "mixing sexes and personalities appears to have freed these groups from the restraints of the solutions given in the problem."[18]

Decision quality is best when neither excessive diversity nor excessive homogeneity are present.

Later studies also confirmed the effects of heterogeneity on group decision quality. The same conclusion is indirectly indicated by research on the "groupthink" phenomenon—the absence of critical thinking in groups caused partly by excessive preoccupation with maintaining cohesiveness. Most of the examples of groupthink cited in the literature, such as the decision of the Kennedy administration to invade Cuba in 1961, portray decision processes as producing disastrous results. Because group cohesiveness is directly related to degrees of homogeneity, and groupthink only occurs in highly cohesive groups, the presence of cultural diversity in groups should reduce its probability.[19]

Decision quality is best when neither excessive diversity nor excessive homogeneity are present. This point has been well summarized by Sheppard: "Similarity is an aid to developing cohesion; cohesion in turn, is related to the success of a group. Homogeneity, however, can be detrimental if it results in the absence of stimulation. If all members are alike, they may have little to talk about, they may compete with each other, or they may all commit the same mistake. Variety is the spice of life in a group, so long as there is a basic core of similarity."[20]

A core of similarity among group members is desirable. This theme is similar to the "core value" concept advocated in the organization culture literature.[21] Our interpretation is that all members must share some common values and norms to promote coherent actions on organizational goals. The need for heterogeneity, to promote problem solving and innovation, must be balanced with the need for organizational coherence and unity of action.

Additional support for the superior problem solving of diverse workgroups comes from the work of Nemeth cited earlier. In a series of studies, she found that the level of critical analysis of decision issues and alternatives was higher in groups subjected to minority views than in those which were not. The presence of minority views improved the quality of the decision process regardless of whether or not the minority view ultimately prevailed. A larger number of alternatives were considered and there was a more thorough examination of assumptions and implications of alternative scenarios.[22]

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In sum, culturally diverse workforces create competitive advantage through better decisions. A variety of perspectives brought to the issue, higher levels of critical analysis of alternatives through minority-influence effects, and lower probability of groupthink all contribute.

System Flexibility

Managing diversity enhances organizational flexibility. There are two primary bases for this assertion. First, there is some evidence that women and racioethnic minorities tend to have especially flexible cognitive structures. For example, research has shown that women tend to have a higher tolerance for ambiguity than men. Tolerance for ambiguity, in turn, has been linked to a number of factors related to flexibility such as cognitive complexity, and the ability to excel in performing ambiguous tasks.[23]

Studies on bilingual versus monolingual sub-populations from several nations show that compared to monolinguals, bilinguals have higher levels of divergent

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thinking and of cognitive flexibility.[24] Since the incidence of bilingualism is much greater among minority culture groups (especially Hispanics and Asians) than the majority-white Anglo group, this research strongly supports the notion that cognitive flexibility is enhanced by the inclusion of these groups in predominantly Anglo workforces.

The second way that managing cultural diversity may enhance organizational flexibility is that as policies and procedures are broadened and operating methods become less standardized, the organization becomes more fluid and adaptable. The tolerance for different cultural viewpoints should lead to greater openness to new ideas in general. Most important of all, if organizations are successful in overcoming resistance to change in the difficult area of accepting diversity, it should be well positioned to handle resistance to other types of change.

Suggestions for Organization Change

We have reviewed six ways in which the presence of cultural diversity and its effective management can yield a competitive advantage. Organizations wishing to maximize the benefits and minimize the drawbacks of diversity, in terms of workgroup cohesiveness, interpersonal conflict, turnover, and coherent action on major organizational goals, must creat "multicultural" organizations. The typical organization of the past has been either monolithic (homogeneous membership with a culture dominated by one cultural group) or plural (obstensively diverse membership but still culturally monolithic and without valuing and using differences to benefit the organization). By contrast, the multicultural organization is one where members of nontraditional backgrounds can contribute and achieve to their fullest potential.

The multicultural organization's specific features are as follows: (1) Pluralism: reciprocal acculturation where all cultural groups respect, value, and learn from one another; (2) full structural integration of all cultural groups so that they are well represented at all levels of the organization; (3) full integration of minority culture-group members in the informal networks of the organization; (4) an absence of prejudice and discrimination; (5) equal identification of minority- and majority-group members with the goals of the organization, and with opportunity for alignment of organizational and personal career goal achievement; (6) a minimum of inter-group conflict which is based on race, gender, nationality, and other identity groups of organization members.[25]

Five key components are needed to transform traditional organizations into multicultural ones.

1. Leadership
2. Training
3. Research
4. Analysis and change of culture and human resource management systems
5. Follow up

Each of these are briefly discussed.

Leadership

Top management's support and genuine commitment to cultural diversity is crucial. Champions for diversity are needed—people who will take strong personal stands on the need for change, role model the behaviors required for change, and assist with the work of moving the organization forward. Commitment must go beyond sloganism. For example, are human, financial, and technical resources being provided? Is this item prominently featured in the

corporate strategy and consistently made a part of senior level staff meetings? Is there a willingness to change human resource management systems such as performance appraisal and executive bonuses? Is there a willingness to keep mental energy and financial support focused on this for a period of years, not months or weeks? If the answer to all of these questions is yes, the organization has genuine commitment, if not, then a potential problem with leadership is indicated.

Top management commitment is crucial but not sufficient. Champions are also needed at lower organizational levels, especially key line managers. Many organizations are addressing the leadership requirement by the formation of task forces or advisory committees on diversity, often headed by a senior manager. Some companies also have a designated manager for diversity who oversees the work company-wide (examples include Corning Inc. and Allstate Insurance). We advise using the manager of diversity in addition to, rather than as a substitute for, a broader involvement team such as a diversity task force. This is especially important in the early stages of the work.

Training
Managing and valuing diversity (MVD) training is the most prevalent starting point for managing diversity. Two types of training are popular: awareness training and skill-building training. Awareness training focuses on creating an understanding of the need for, and meaning of managing and valuing diversity. It is also meant to increase participants' self awareness on 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. Often the two types are combined. Avon, Ortho Pharmaceuticals, Procter and Gamble, and Hewlett-Packard are examples of companies with extensive experience with training programs.

Training is a crucial first step. However, it has limitations as an organization change tool and should not be used in isolation. It is also important to treat training as an on-going education process rather than a one-shot seminar.

Research
Collection of information about diversity related-issues is the third key component. Many types of data are needed including traditional equal-opportunity profile data, analysis of attitudes and perceptions of employees, and data which highlights the career experiences of different cultural groups (e.g., are mentors equally accessible to all members).

Research has several important uses. First, it is often helpful for identifying issues to be addressed in the education process. For example, data indicating differences of opinion about the value in diversity based on culture group can be used as a launching point for mixed-culture discussion groups in training sessions. Second, research helps identify areas where changes are needed and provides clues about how to make them. Third, research is necessary to evaluate the change effort. Baseline data on key indicators of the valuing diversity environment needs to be gathered and periodically updated to assess progress.

Culture and Management Systems Audit
A comprehensive analysis of the organization culture and human resource systems such as recruitment, performance appraisal, potential assessment and promotion, and compensation should be undertaken. The primary objectives of this audit are: (1) to uncover sources of potential bias unfavorable to members of certain cultural groups, and (2) to identify ways that corporate culture may inadvertently put some members at a disadvantage.

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It is important to look beyond surface data in auditing systems. For example, research that we reviewed or conducted indicates that even when average performance ratings for majority versus minority culture members are essentially the same, there may be differences in the relative priority placed on individual performance criteria, the distribution of the highest ratings, or the relationship between performance ratings and promotion.[26] The audit must be an in-depth analysis, and the assistance of an external cultural diversity expert is strongly advised.

To identify ways that corporate culture may put some members at a disadvantage, consider a scenario where a prominent value in the organization culture is "aggressiveness." Such a value may place certain groups at a disadvantage if the norms of their secondary or alternative culture discouraged this behavior. This is indeed the case for many Asians and for women in many countries including the United States. While it is conceivable that the preservation of this value may be central to organizational effectiveness (in which case the solution may be to acknowledge the differential burden of conformity that some members must bear and to give assistance to them in learning the required behaviors), it may also be that the organizational values need to change so that other styles of accomplishing work are acceptable and perhaps even preferred. The point is that the prevailing values and norms must be identified and then examined critically in light of the diversity of the workforce.

The results of the audit must be translated into an agenda for specific changes in the organization culture and systems which management must then work to implement.

Follow-up
The final component, follow-up, consists of monitoring change, evaluating the results, and ultimately institutionalizing the changes as part of the organization's regular on-going processes. Like other management efforts, there is a need for accountability and control for work on diversity. Accountability for overseeing the change process might initially be assigned to the diversity task force, or if available, manager of diversity. Ultimately, however, accountability for preserving the changes must be established with every manager. Changes in the performance appraisal and reward processes are often needed to accomplish this.

The results of the audit must be translated into an agenda for specific changes in the organization culture and systems which management must then work to implement.

Follow-up activities should include additional training, repetition of the systems audit, and use of focus groups for on-going discussions about diversity issues.[27]

Conclusion
Organizations' ability to attract, retain, and motivate people from diverse cultural backgrounds, may lead to competitive advantages in cost structures and through maintaining the highest quality human resources. Further capitalizing on the potential benefits of cultural diversity in work groups, organizations may gain a competitive advantage in creativity, problem solving, and flexible adaptation to change. We have identified steps that organizations can take toward accomplishing this.

While this article has reviewed a significant amount of relevant research, additional work clearly needs to be done, especially on the "value-in-diversity" issues. Nevertheless, the arguments, data, and suggestions presented here should be useful to organizations to build commitment and promote action for managing diversity efforts in the 1990s and beyond.

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Endnotes

[1] See William B. Johnston, Global Work Force 2000, *Harvard Business Review*, March-April, 1991 and "Middle-age at 26," Wall Street Journal, April 10, 1990.

[2] For examples of the competitive advantage argument, see R. Roosevelt Thomas Jr., "From Affirmative Action to Affirming Diversity," *Harvard Business Review*, 2, March/April 1990, 107-117; Lennie Copeland, "Learning to Manage a Multicultural Workforce," *Training*, May 1988, 48-56; Barbara Mandrell and Susan Kohler-Gray, "Management Development that Values Diversity," *Personnel*, 67, March 1990, 41-47; Katherine Etsy, "Diversity is Good for Business," *Executive Excellence*, 5, 1988, 5-6; and A.G. Sodano and S.G.Baler, "Accommodation to Contrast: Being Different in the Organization," *New Directions in Mental Health*, 20, 1983, 25-36.

[3] This focus is not intended to undermine the importance of social, moral, and legal reasons for attention to diversity. We have chosen to address its relevance for other types of goals, such as worker productivity and quality of decision making, because the impact of diversity in these areas has received relatively little attention in the past compared to the equal-opportunity related goals.

[4] See the following sources for details on the turnover data: B.R. Bergmann and W.R. Krause, "Evaluating and Forecasting Progress in Racial Integration of Employment," *Industrial and Labor Relations Review*, 1968, 399-409; Carol Hymowitz, "One Firm's Bid to Keep Blacks, Women," *Wall Street Journal*, February 16, 1989, Sec. B, 1; Felice Schwartz, "Management Women and the New Facts of Life," *Harvard Business Review*, January/February 1989, 65-76.

[5] Taylor Cox, Jr. and Stella Nkomo, "A Race and Gender Group Analysis of the Early Career Experience of MBA's," *Work and Occupations*, forthcoming in 1991.

[6] These surveys were reviewed by Cathy Trost, "Women Managers Quit not for Family but to Advance their Corporate Climb," *Wall Street Journal*, May 2, 1990. For additional evidence on this point, including discussions of the cultural-conflict issue, see Schwartz, Endnote 3; A.M. Morrison, R.P. White and E. Van Velsor, "Executive Women: Substance Plus Style," *Psychology Today*, August 1987, 18-25; and Gail DeGeorge, "Corporate Women: They're about to Break Through to the Top," *Business Week*, June 22, 1987, 72-77.

[7] "Helping Pregnant Workers Pays Off," *USA Today*, December 2, 1987.

[8] Stewart A. Youngblood and Kimberly Chambers-Cook, "Child Care Assistance Can Improve Employee Attitudes and Behavior," *Personnel Administrator*, February 1984, 93-95+.

[9] Jay S. Kim and Anthony F. Campagna, "Effects of Flextime on Employee Attendance and Performance: A Field Experiment," *Academy of Management Journal*, December 14, 1981, 729-741.

[10] Reported in Nancy Adler, *International Dimensions of Organizational Behavior* (Boston: Kent Publishing Co., 1986), 111.

[11] The figure of $20,000 is based on computations of Michael Mercer for turnover costs of a computer programmer. Readers may wish to consult one of the following sources for turnover cost formulas and then use their own job structure to determine cost factors for the actual turnover costs: Michael Mercer, "Turnover: Reducing the Costs," *Personnel*, Vol. 5, 1988, 36-42; Rene Darmon, "Identifying Sources of Turnover Costs, *Journal of Marketing*, 1990, Vol. 54, 46-56. The data on Ortho is provided in Juliane Bailey, "How to be Different but Equal," *Savvy Woman*, November, 1989, 47+.

[12] Examples of these publications include Baila Zeitz and Lorraine Dusky, *Best Companies for Women* (New York: Simon and Schuster, 1988); and "The 50 Best Places for Blacks to Work," *Black Enterprise*, February 1989, 73-91.

[13] Selwyn Feinstein, "Being the Best on Somebody's List Does Attract Talent," *Wall Street Journal*, October 10, 1989. For other examples supporting the resource acquisition argument, see Joel Dreyfuss, "Get Ready for the New Work Force," *Fortune*, April 23, 1990, 165-181.

[14] S.G. Redding, "Cultural Effects on the Marketing Process in Southeast Asia," *Journal of Market Research Society*, Vol. 24, 19, 98-114.

[15] Rosabeth Moss-Kanter, *The Change Masters*, (New York: Simon and Schuster, 1983).

[16] For details on the research in this section, readers should see: Charlan Jeanne Nemeth, "Differential Contributions of Majority and Minority Influence," *Psychological Review*, 93, 1986, 23-32 and H.C. Triandis, E.R. Hall, and R.B. Ewen, "Member Homogeneity and Dyadic Creativity," *Human Relations*, 18, 1965, 33-54.

[17] Susan E. Jackson, "Team Composition in Organizational Settings: Issues in Managing a Diverse Workforce," in *Group Process & Productivity*, J. Simpson, S. Warchel and W. Wood (eds), Beverly Hills, CA: Sage Publications, 1989).

[18] L. Richard Hoffman and Norman R.F. Maier, "Quality and Acceptance of Problem Solving by Members of Homogeneous and Heterogeneous Groups," *Journal of Abnormal and Social Psychology*, 62, 1961, 401-407. The quote in the text is from page 404.

[19] For reviews of research on the effect of group heterogeneity on problem solving, see M.E. Shaw, *Group Dynamics: The Psychology of Small Group Behavior*, (New York: McGraw Hill, 1981); J.E. McGrath, *Groups: Interaction and Performance*, (Englewood Cliffs, N.J.: Prentice Hall, 1984); and Irving Janis, *Victims of Groupthink*, (Boston: Houghton Mifflin Co., 1972).

[20] C.R. Shepard, *Small Groups*, (San Francisco: Chandler Publishing Co., 1964), 118.

[21] See Ed Schein, "Organizational Socialization and the Profession of Management," in D.A. Kolb, I.M. Rubin, and J.M. McIntyre (Eds.), *Organizational Psychology*, Englewood Cliffs: Prentice-Hall, 1984, 7-21; and Y. Weiner, "Forms of Value Systems: A Focus on Organizational Effectiveness and Cultural

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Change and Maintenance," *Academy of Management Review*, 13, 1988, 534-545.

[22] See Charlan Jeanne Nemeth, "Dissent, Group Process, and Creativity," *Advances in Group Processes*, 2, 1985, 57-75; and Charlan Jeanne Nemeth and Joel Wachter, "Creative Problem Solving as a Result of Majority versus Minority Influence," *European Journal of Social Psychology*, 13, 1983, 45-55.

[23] See Naomi G. Rotter and Agnes N. O'Connell, "The Relationships Among Sex-Role Orientation, Cognitive Complexity, and Tolerance for Ambiguity," *Sex Roles*, 8 (12), 1982, 1209-1220; and David R. Shaffer et al., "Interactive Effects of Ambiguity Tolerance and Task Effort on Dissonance Reduction," *Journal of Personality*, 41(2), June, 1973, 224-233.

[24] These research studies are reviewed by Wallace Lambert, "The Effects of Bilingualism on the Individual: Cognitive and Sociocultural Consequences," in Peter A. Hurnbey (Ed.), *Bilingualism: Psychological, Social, and*

Educational Implications, New York: Academic Press, 1977, 15-27.

[25] This discussion of traditional versus multicultural organizations is based on Taylor Cox's article, "The Multicultural Organization" which appeared in the May, 1991 issue of *The Executive*.

[26] For a specific example of race differences in priorities of performance rating criteria, see Taylor Cox and Stella Nkomo, "Differential Performance Appraisal Criteria," *Group and Organization Studies*, 11, 1986, 101-119. For an example of subtle bias in performance rating distributions see Asya Pazy's article: "The Persistence of Pro-Male Bias," *Organization Behavior and Human Decision Processes*, 38, 1986, 366-377.

[27] For additional discussion of organization change processes to manage diversity including specific examples of what pioneering companies are doing in this area, please see Taylor Cox's article "The Multicultural Organization" (endnote 24).

About the Authors

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