

# Solving the Dilemma

## A Leader's Guide to Managing Diversity

Increasing workforce diversity has become an inevitable fact of organizational life, but it is still unclear whether this increasing diversity has a positive or negative effect on organizational performance. Leaders seeking to manage diversity effectively should consider research findings that suggest that when the tasks to be performed are complex, diverse workgroups produce more creative and innovative solutions and achieve better results than workgroups that are more homogeneous; for less complicated tasks, however, the complex dynamics of a highly diverse workgroup can actually hinder the work process and lower performance.

**T**he first and foremost task of leaders is to successfully implement organizational strategies. In today's business environment, one of the critical elements of achieving this goal is effectively managing an increasingly diverse workforce—teams of people of different races, cultures, religions, languages, and so on. Corporate strategists are increasingly viewing workforce diversity as something that can drive organizational value by sparking innovation and increasing competitiveness in an ever more global marketplace. Often over-

looked, however, are the leadership challenges inherent in managing people who have vastly different backgrounds, traditions, motivations, and concerns.

In facing these challenges, it is essential for leaders to consider that individuals draw distinctions between themselves and others—and consequently either identify or don't identify with others—along a vast spectrum of dimensions. Pinpointing these dimensions and understanding the related dynamics poses a management dilemma for leaders because,



by **David L. Dinwoodie**

even though increasing workforce diversity has become an inevitable fact of organizational life, it is still unclear whether this increasing diversity has a positive or negative effect on organizational performance.

Leaders searching for strategies to deal with this dilemma are confronted with two divergent streams of thought derived from research, one implying that diversity has a negative effect on workgroup dynamics and the other taking the opposite view.

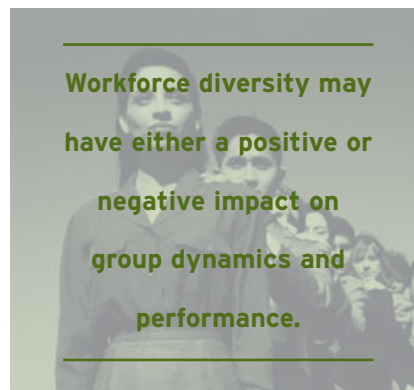
The *social categorization* approach to diversity and its effect on workgroup dynamics concludes that people identify with one another on the basis of similarity, and therefore the higher the level of similarity among individuals in a workgroup, the higher the degree of cohesion and shared commitment among them. This thesis also holds that increased diversity accentuates perceived differences among members of different social identity groups, defined by categories (or combinations of categories) such as gender, age, ethnicity, race, religion, nationality, sexual orientation, and socioeconomic status. In this scenario, the primary leadership challenge is preventing social identity conflict in the workplace, because there are inherent tensions among members of different social identity groups that can erupt into direct conflict, negatively affecting workgroup performance.

## ABOUT THE AUTHOR

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The *information-processing and decision-making* approach to the impact of diversity on workgroup dynamics predicts a far different scenario. In this view, heterogeneity among members of workgroups is generally a positive factor in that it enhances performance, providing the group with a broader range of knowledge, skills, and abilities relevant to the tasks at hand and allowing the group to process information more thoroughly. This orientation to diver-



sity concludes that diverse workgroups have higher potential than more homogeneous workgroups and will typically outperform them. Thus the leadership challenge is to attract an optimal mix of diverse individuals to the organization and to leverage their full potential in workgroups and teams.

There is growing thought in the organizational research community that the key to cracking the diversity dilemma is to identify the factors that directly affect the social categorization and the information-processing and decision-making processes and to use these factors to predict which function of diversity will prevail in a given context. In any organization, the diversity of the workforce may have either a positive or negative impact on group dynamics and performance, depending on the context and interplay of myriad organizational, business, management, and interpersonal factors. Leaders thus

are faced with the increasingly complex challenge not only of determining whether the degree of diversity among their employees will be positive or negative but also of selecting which factors to focus on in order to best manage the dynamics of the diverse teams they lead.

## GAINING PERSPECTIVE

Are there any tools, techniques, competencies, and skills that can help leaders solve the diversity dilemma? Addressing this complex challenge begins with *gaining perspective*. Leaders must assess the organization's current diversity situation and devise a diversity strategy. A key factor to be considered in this analysis and formulation is the nature of the tasks to be performed by various workgroups. Or, to put it another way, an important question to answer is whether workgroup diversity is necessary and valuable for performing specific tasks that must be accomplished to meet the organization's strategic objectives. Research suggests that when a task is complex, requiring advanced decision making and complicated processing, diverse workgroups produce more creative and innovative solutions and achieve better results than do workgroups that are more homogeneous. For a less complicated task, however, the complex dynamics of a highly diverse workgroup can actually hinder the work process and lower performance.

For leaders involved in strategic and organizational planning, business development, and functional or process management, gaining this perspective is critical to laying the foundations for individual workgroups that are appropriate to the tasks to be performed.

Leaders charged with managing teams involved in initiatives that require making decisions regarding demanding, complex issues that are best evaluated from different points of view should bring together a

diverse team of individuals who can contribute a wide variety of perspectives to the decision-making process. Although forming and leading such teams can be time consuming and requires gaining a broad knowledge of the cultural, societal, organizational, and interpersonal issues that affect group dynamics, the ultimate result will likely be robust, creative, and well thought out business solutions.

Business scenarios that often require making decisions regarding demanding, complex issues that are best evaluated from different points of view include

- Starting up cross-border business ventures
- Servicing international markets that value adaptability and innovation
- Implementing international organizational change initiatives
- Formulating a strategic vision and carrying out strategic planning and implementation

When business activities involve decision making related to operational issues that require expedience and conformity to well-established norms, efficiency and speed take precedence over innovation. In such cases, an overly diverse workgroup makeup can be a hindrance rather than a benefit—the disparate mix of knowledge, skills, and competencies does not fit the nature of the work to be done. Examples of such situations include

- Managing consolidated local business operations
- Servicing domestic markets that value tradition and homogeneity
- Ensuring conformity to well-established business practices and procedures

## SEEING VALUE

In assessing the current diversity situation and devising a diversity strat-

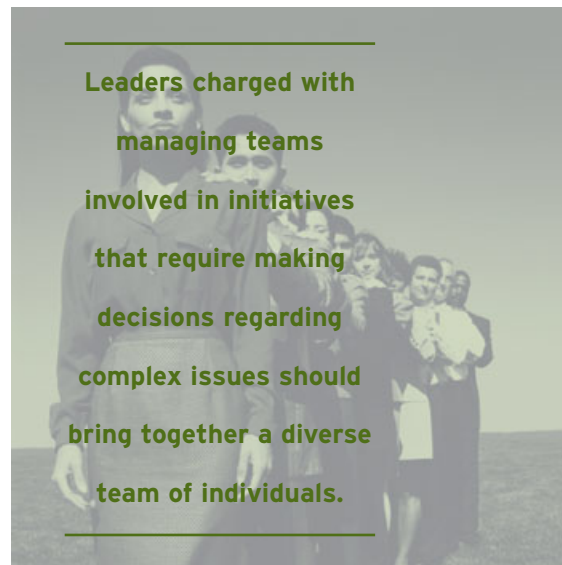
egy, leaders also need to consider whether diversity is valued by individuals in the organization and by the organization as a whole.

To what extent are employees predisposed to recognize the value of working alongside others who have radically different backgrounds, languages, values, perspectives, and traditions? If the nature of the tasks at hand requires the creative input of a mixed group, it is not enough simply to bring together a diverse collection of people and set them to work. Leaders should actively seek out and select individuals who have experience in and are motivated by working in diverse groups and across social identity lines.

This point is illustrated by the example of a multinational financial institution whose employees represent more than forty nationalities. The company's single service center deals with clients representing all European markets and doing business in fifteen different languages. Managers saw early on that selecting the service center personnel exclusively on language ability was not enough to ensure cohesive team dynamics. The managers learned that they need staff members who are capable of adapting to an operational environment that brings together individuals with different cultural values, religious practices, sexual orientation, apparel traditions, food preferences, and so on. The employees do need to be multilingual in order to interface with the wide range of customers, but operational effectiveness depends on smooth interaction among the diverse team members. The company has done studies that clearly demonstrate that attracting staff members who view a multicultural environment as a personally enriching and valuable experience is key to positive workgroup dynamics, productivity, motivation, and retention.

A CCL research project called Leadership Across Differences,

designed to generate new knowledge, techniques, and tools to help leaders deal effectively with the challenges of social identity differences in the workplace, is beginning to shed light on strategies that organizations can use to effectively manage their diverse workforces. One emerging theme is that organizations whose leaders recognize an inherent value in having a diverse staff tend to create a



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corporate culture that embraces and defends diversity. Such organizations often express their belief in the worth and importance of diversity through their mission and values statements and explicit policies and procedures. Organizations at the forefront of diversity best practices sometimes appoint executive-level directors of diversity initiatives.

A strong organizational framework for cultivating the value of diversity and attracting and motivating individuals who feel enriched by working in a diverse environment is a potent recipe for achieving high performance—a recipe useful for leaders who seek to leverage diversity to make their organizations more effective and competitive and who also seek to mitigate the conflict that can

# Going Through the Phases

The nature of the diversity dilemma is dynamic rather than static. Just when corporate leaders think that the degree of organizational diversity is in line with the tasks to be performed and that workgroups are sufficiently motivated to leverage their diverse talents, there is a change in the corporate life cycle. This evolution is illustrated in the example of a U.S. pharmaceutical company that centralized the transaction processing of all its European subsidiaries at a facility in England.

The *visioning* phase involved brainstorming about an ideal business architecture to meet all the operational, financial, fiscal, and corporate requirements of more than fifty subsidiaries operating in fifteen languages. This phase required the creative input of a diverse group of highly educated, technically knowledgeable, and culturally aware executives. The leadership challenge was to pull together such a diverse executive team by convincing its members that the project represented a professional opportunity rather than career suicide. They had to be motivated to leave powerful, well-established positions in their own business units and to band together to create a radically new operation.

The *start-up* and *growth* phases also required a highly diverse team

that could adapt the vision of the ideal business architecture to the specific business and legal requirements of vastly different operating units and that could absorb the financial activities of these units into the new transaction processing center. These phases drew on the skills of managers and support staff who could gather and analyze accounting, legal, and operational information on the local level and reengineer the processes to fit the workflow of new information systems. These tasks differed significantly from one country to another, and success depended on the innovative potential and tenacity of a multicultural, multilingual, multi-skilled team of individuals. Attention was focused on rapid growth—the team was expected to continually adapt its focus and activities to integrate European operations as quickly as possible.

Once the transaction processing center was fully operational, attention turned to the *consolidation* phase, in which achieving cost efficiency became the main focus. Suddenly the creative and innovative potential of a diverse team highly motivated to find new solutions to complex, difficult problems was out of sync with an operation that was now centered on leveraging the new system rather than chang-

ing the old. During this phase, the individuals who valued the creative potential of the diverse team had little motivation to execute routine tasks within a standard set of work parameters. The center's operations had become a streamlined process that required little diversity at the operational level.

Once the processing center had been visioned, implemented, grown, and standardized, the next logical step was to consider the *outsourcing* phase. The task had become so routine that it required no organizational diversity and could perhaps be turned over to others whose business model and competitive advantage were all about achieving efficiency. The company's leaders decided that shedding the transaction processing operation would allow the company to concentrate its resources on activities that developed its core competencies—those related to pharmaceuticals rather than invoice processing.


This example shows how the intrinsic value and management of organizational diversity evolve during the distinct phases of a business life cycle. It illustrates the primary diversity management challenge for organizational leaders—matching the diversity of workgroups to the changing tasks to be performed by the organization.

arise in diverse teams whose operational tasks do not necessarily call for a high degree of workgroup diversity.

## LOOKING BOTH WAYS

Organizational leaders face the continual challenge of keeping one eye on the strategic horizon and the other on the tactical, operational perspective. Addressing the diversity dilemma is no exception to this chal-

lenge. Leaders must balance the diversity scenarios that are ideal for helping their workgroups meet corporate objectives against the reality of the diverse workforce at the operational level. By first taking into consideration the degree of organizational diversity needed to most effectively perform the required tasks, leaders can make proactive decisions regarding the composition of the workgroups and the organiza-

tional culture, policies, and procedures that will best support leaders in managing the diverse workforce. By attracting individuals predisposed to working across social identity boundaries and motivating them to value the link between the tasks to be performed and the creative potential inherent in the composition of team members, leaders can drive their operations toward achieving superior performance. 

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