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**LINKING DIVERSITY AND EFFECTIVENESS:
THE RELATIONSHIP BETWEEN CULTURAL
DIVERSITY AND ORGANIZATIONAL
OUTCOMES**

**CEO PUBLICATION
T 98-20 (348)**

CRISTINA B. GIBSON
University of Southern California

November 1998

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This report is dedicated in memory of my mother, Carolyn Dianne Billingham, who herself was a determined professional trying to challenge the glass ceiling.

OBJECTIVES

This report is the first step in a program of research concerning the impact of diversity. The overall objectives of this research program are to: 1) review research that supports any link between cultural diversity (in terms of gender, race, and nationality) and organizational effectiveness, 2) test the relationship between diversity climate in organizations and organizational effectiveness, and 3) identify the most critical characteristics of programs that enhance the management of diversity.

The research program consists of four phases. Phase I consists of review and strategy formulation. Phase II consists of quantitative survey research to assess the link between diversity and effectiveness. Phase III consists of experimental field research investigating the impact of diversity interventions. Phase IV consists of qualitative interview research investigating diversity management practices. In June of 1996, the Wisconsin Glass Ceiling Commission approved funding for completion of Phase I of the research.

This report and the accompanying Diversity Resource Library represent the deliverables for Phase I of the research. The report reviews the existing diversity research and the most prevalent techniques currently being utilized to manage diversity in organizations. In doing so, the report accomplishes the following Phase I objectives:

- Describes the various types of potential links between diversity and organizational effectiveness.
- Discusses techniques and tools that potentially enhance these linkages.
- Identifies unresolved issues concerning each link.
- Formulates a strategy for future research investigating these issues.

The Diversity Resource Library is a comprehensive catalog of articles that describe the most recent research and practices related to diversity. The Library represents a compilation of the key articles reviewed for this report. It is designed to help inform the mission, actions, and strategies of those interested in improving the management of diversity.

PROCESS UTILIZED DURING PHASE I

Step 1: Preliminary Delineation of Issues. In order to prepare an informed research proposal, the principal investigator began by reading and summarizing several key pieces of research. This included: (1) the fact-finding report of the Federal Glass Ceiling Commission entitled *Good For Business: Making Full Use of the Nation's Human Capital* and many of the research monographs produced by researchers associated with the Federal Commission, (2) a book entitled, *Cultural Diversity in Organizations* (1993), written by one of the nation's foremost experts in the management of diversity, Professor Taylor Cox of the University of Michigan, (3) a recent review article entitled "Searching for Common Threads: Understanding the Multiple Effects of Diversity in Organizational Groups" (Milliken & Martins, 1995) from the *Academy of Management Review*, and (4) several articles describing research investigating diversity.

Step 2: Literature Search. A comprehensive literature search was conducted for both professional literature and academic literature using the American Business Information (ABI) electronic search system. Eleven professional journals and twelve academic journals were searched (See Appendix I for specific journal titles). Professional literature was searched for the period 1986 - 1996. Academic literature was searched for the period 1971 - 1996. Search terms included: diverse, diversity, heterogeneous, heterogeneity, culture, cultural, race, racial, gender, sex, ethnic, and ethnicity. In total, 541 professional articles and 1,780 academic articles were located using these search terms.

Step 3: Creation of Abstract Data Base. Articles were scanned on-screen to eliminate those that did not pertain to the *impact* of diversity. Approximately 10% of the articles in each set of literature were relevant (i.e., 55 professional articles and 180 academic articles). Abstracts for these articles were saved electronically. After removing duplicate abstracts for articles that were cross-listed and appeared in the database twice, a total of 45 professional article abstracts and 115 academic article abstracts were contained in the database.

Step 4: Compilation of Diversity Resource Library. Abstracts were reviewed in order to identify the 100 most influential articles. These 100 articles were retrieved, duplicated, and compiled to create the Diversity Resource Library

Step 5: Preparation of Technical Briefs. Each article was read and summarized in the format of a technical brief containing 3-5 paragraphs.

Step 6: Review of Market Research. In December 1996, members of the Marketing Research class at the University of Wisconsin-Madison School of Business (referred to throughout as UW Market Research) surveyed Wisconsin chief executive officers to establish a baseline on attitudes and activities relating to glass ceiling issues in Wisconsin organizations. This report was reviewed by the principal investigator and whenever possible, results of the research have been incorporated into this Phase I report.

Step 7: Report Preparation. The principal investigator interpreted and integrated the technical briefs and UW Market Research. Unresolved issues were identified and a strategy for future research was formulated. This report describing the results was then created for the Commission.

BACKGROUND AND DEFINITIONS

Organizations in many nations are becoming more diverse along dimensions such as gender, race and nationality (Cox, 1993; Johnston, 1991). In the United States, almost two thirds of all net additions to the labor force in the 1990s will be female; roughly 45 percent will be non-White, mostly from Asian and Latin decent. Increases in the representation of women in the workforce will be even greater in much of Europe and many of the developing nations (Johnston, 1991).

Yet, women and non-Whites are still severely under-represented in upper levels of management. For example, in 1992, despite the fact that women constituted about 46 percent of the U.S. workforce, only 19 of the 4,000 highest-paid officers and directors were women. This figure represented less than .5 percent (*Women on Boards*, 1992). Only 3 percent of senior executives in large companies were women (Business Week, 1992 cf. Bilimoria & Piderit, 1994). In 1994, women held only 5.9 percent of total directorships of Fortune 500 industrial firms (Bilimoria & Piderit, 1994).

Even in U.S. industries that employ more women than men, such as banking, women and non-Whites are under represented in upper management. For example, of the 72 directors of regional Federal Reserve Banks in 1990, there were only 3 women and 2 non-Whites (Crutsinger, 1990). Additional evidence cited in an article by Cari Dominguez, former Director of the Office of Federal Contract Compliance, indicates that women and non-White men (who represent more than 60 percent of the workforce) held only about 5 percent of senior management jobs in 1990. The increase in representation of these groups in top executive jobs during the 1980s was only about 2 percent (Dominguez, 1990).

While this failure to have diverse representation across organizational levels and industries is a well-documented fact, it is less clear why this is the case and how to remedy the situation. Part of the answer lies in better understanding the impact diversity has on organizational effectiveness. Before beginning an examination of the literature that investigates this relationship, we must first clarify what we mean by cultural diversity.

Cultural diversity has been defined as the representation in a social system of people with distinctly different cultural group affiliations (Cox, 1993). To “manage diversity” is to plan and implement organizational systems and practices to manage people so that the potential advantages of diversity are maximized while its potential disadvantages are minimized (Cox, 1993). The goal of managing diversity is to maximize the ability of all employees to contribute to organizational goals and to achieve their full potential unhindered by cultural identities such as gender, race, or nationality. Research that will be reviewed here suggests that managing diversity is a critical competency for leaders in the 1990s. Furthermore, the organizational capacity to manage diversity effectively has major implications for organizational success.

In order to understand the impact that diversity has on organizational effectiveness, one must first recognize that the impact is due to the cultural identities of organization members. That is, individual workers in organizations tend to identify themselves with one or more cultural groups. In its most basic sense, a cultural group is an affiliation of people who collectively share certain norms, values, or traditions that are different from those of other groups (Cox, 1993).

The component elements of diversity mixtures can vary, and so a discussion of diversity must specify the dimensions in question. Group affiliations based on gender, race, and nationality appear to be the most crucial. This is because these affiliations produce group identities that are not as changeable, as compared to many other characteristics of diversity (such as age, work function, and religion) that can change over the course of a lifetime (Erez & Earley, 1993).

Although gender may not be the first characteristic we think of when we hear the word culture, it is very clear that gender is an important part of our identity and that women share certain norms that are different from those held by men. Therefore, group affiliation based on gender can be considered a type of cultural group.

Research indicates that diversity based on gender, race and nationality impacts organizational outcomes such as: (1) attraction and retention, (2) problem solving and creativity, (3) morale and job involvement, and (4) marketing and reputation. The remaining sections of this report address the links between diversity and each of these outcomes. As each link is discussed, the following are addressed:

- Description of the potential relationship.
- The importance of the outcome.
- Research investigating the relationship.
- Underlying processes and why the relationship might exist.
- Barriers to achieving the link.
- Strategies for enhancing the link.
- Issues that remain unresolved.

LINK #1: DIVERSITY AND RETENTION

Description of the Relationship: This link describes the potential relationship between diversity and attendance or retention. Research suggests that increasing the number of women and minorities in an organization can increase attendance and retention of these cultural groups. Although some turnover of people is both desirable and inevitable, organizations ordinarily want to avoid absenteeism and turnover that is directly related to group identity differences (Cox & Smolinski, 1994).

As women and Non-White men increase in proportion in the available labor pools in the U.S. and many other parts of the world, it becomes increasingly important for organizations to be successful in retaining workers from these cultural groups. Failure to attract the best talent reduces the strategic competitive advantage of a firm vis-a-vis its competitors.

Low retention rates also represent another kind of loss for organizations. Training departments invest large sums of money to train new employees. If these new employees then leave the company and take the training to a competitor, the organization has lost out on the training investment and enhanced its competitors' human resources.

Importance of the Impact: From an economic point of view, the potential cost savings and revenue enhancements of organizational initiatives to effectively manage diversity must be judged against the investment necessary to implement them. The data available strongly suggest that diversity efforts undertaken by some of the leading organizations have been successful in reducing absenteeism and turnover (Cox & Smolinski, 1994).

Absenteeism and turnover have a tremendous impact on cost structures in firms. An example involving a hypothetical workforce of 10,000 employees illustrates the implications of diversity for labor costs. If half of this workforce are females and Non-Whites, whose turnover rate is 10% (double the 5% average rate for White men), the differential turnover rate would produce an additional 250 losses annually. Research suggests the cost of replacement can total 93% of the departing employee's salary (Stuart, 1992). If the average cost of replacement is \$15,000 per loss, the annual cost of the turnover differential is \$3.8 million. In this example, the organization could potentially cut costs by more than \$2 million annually if even half of the turnover differential could be eliminated by better management of diversity (Cox, 1993: 24).

In addition to costs associated with turnover and absenteeism, a poor diversity climate sometimes leads to lawsuits. One example is the case against Texaco in which a single woman who was repeatedly passed over for promotion was awarded a judgment of more than \$20 million dollars (Filipowski, 1991).

Evidence of the Link: Spangler et. al. (1978) found that when an organization has less than 15% minority representation, the minority members perform less well and become socially isolated. In a rare account of the dollar cost of identity-group bias in organizations, the annual after-tax losses due to gender bias for a company of around 27,000 employees was estimated at \$22 million or one percent of total operating expenses (Stuart, 1992). These costs included turnover, absenteeism, and lost productivity, as well as losses related to sexual harassment lawsuits.

Data from the U.S. workforce indicate that turnover and absenteeism are higher among women and non-White men than they are for White males. One study found that the overall turnover rate for Blacks in the U.S. workforce is 40 percent higher than the rate for Whites (Cox, 1993). One study of absence rates shows that rates for women are 58 percent higher than for men (Meisenheimer, 1990).

Specific companies rarely publish accurate cost savings from managing diversity initiatives. However, in one report, Ortho Pharmaceuticals attributed savings of \$500,000 to the company's diversity management efforts. These savings stemmed mainly from lower turnover among women and ethnic minorities (Bailey, 1989).

Why This Relationship Exists: Low Job Involvement, Lack of Career Growth, Lack of Social Support, and Family Responsibilities

Job involvement is defined as the extent of psychological identification with one's work (Jans, 1985). It is closely associated with job motivation and has been shown to predict turnover (Lee & Mowday, 1987). Research suggests that both gender and race affect job involvement. For example, in one study of the early career experiences of 700 MBAs, Blacks had significantly lower job involvement than Whites, and women had significantly lower job involvement than men (Cox & Nkomo, 1991).

Several researchers have demonstrated that low job involvement and lack of advancement occur because of the lack of value congruence between employees and their firms. When organizational values are defined by majority group members, minority group members often experience a disturbing degree of value incongruity. Indeed, research suggests that value incongruity has a significant effect on organizational commitment, employment satisfaction, likelihood of quitting, and actual turnover (O'Reilly, Chatman, & Caldwell, 1991; Chatman, 1991). If such value incongruity can be overcome, absenteeism and turnover should decrease.

A key construct that represents an organization's ability to retain employees is the degree to which those currently employed intend to remain in the organization. Research indicates that when members perceive the organization is supportive of their cultural group, they will intend to remain in the organization (Cox, 1993; O'Reilly, Chatman & Caldwell, 1991).

Information from several sources on diversity in U.S. firms indicates that frustration over career growth and cultural conflict with the dominant culture are major factors behind the less favorable turnover, absenteeism, and satisfaction levels for women and racial/ethnic minorities. For example, two large scale surveys of male and female managers in large American companies found that women expressed a much higher probability of leaving their current employer than men and higher actual turnover rates than men. However, the major reasons women quit were lack of career growth opportunity and dissatisfaction with rates of career advancement (Trost, 1990). It is also interesting that one of the surveys found that women have higher actual turnover rates than men at all ages, not just during the years when they are bearing children or raising young children.

At the same time, a study of the factors that influence absenteeism indicated that women are often absent due to their roles as primary care takers. Leigh (1986) examined data from a national household income survey and found that differences in male and female absenteeism were primarily due to the presence of young children in the home.

Barriers to Achieving this Link: Locating Minorities, Bias, and Lack of Formal Systems

The first problem faced in trying to enhance the relationship between diversity and retention is the inability to locate and recruit women and members of minority groups for advanced positions in organizations. Large numbers of minorities and women of all races and ethnicities still face barriers to getting the education and experience they need in order to be qualified for these positions (Harlan & Bertheide, 1994). Some of the statistics cited earlier, namely that women make up only about 5% of senior management positions, suggest that there is still much progress to make in this arena. Findings obtained by the UW Market Research (1996) also suggest there is much work to be done. In 55% of the Wisconsin organizations surveyed, males make up almost 100% of the upper compensation echelons.

Interestingly, explanations for the lack of women and minorities in the upper echelons tend to differ depending on who is doing the explaining. For example, the UW Market Research found that male Wisconsin CEOs generally responded that the largest barrier is the lack of general management experience among minorities and women. In contrast, female CEOs responded that management's failure to groom women and minorities for upper management positions is the largest barrier.

Research conducted at a national level by Catalyst (cf. Davis, 1995) supports these gender differences. In a survey of Fortune 1000 companies, male CEOs reported that women's lack of significant general management experience is the biggest barrier to women's advancement, while female executives reported that male stereotyping is the biggest problem.

Empirical research suggests that minorities indeed have fewer opportunities to gain experience and advance in organizations (Mount, Hazucha, Holt & Sysma, 1995; Greenhaus, Parasuraman, & Wormly, 1990). This research has obtained support for racial differences in the degree to which employees have discretion over their work, employees' job performance, and supervisors' perceptions of the degree to which employees are "promotable." For example, a study conducted by Greenhaus, et al. (1990) involving 828 lower- to mid-level managers and professionals in three organizations representing communications, banking, and electronics found that Blacks (1) had less job discretion and lower feelings of acceptance than did White managers, (2) were rated lower on job performance, (3) received lower promotability assessments than did White managers, (4) were more likely to be at career plateaus than were White managers, and (5) were more dissatisfied with their careers than were White managers.

In the Greenhaus et al. (1990) study, statistical modeling suggested that race impacted job performance through its impact on job discretion and acceptance. In other words, race did not impact job performance directly. Rather, race influenced the amount of job discretion managers had and the degree to which they were accepted in the organization. These factors, in turn, impacted job performance. Similarly, race did not directly impact promotability. Rather, race impacted promotability through its impact on job performance. Taken together, these two findings suggest that differences in job performance and promotability are not due to race in and of itself. Instead, the underlying explanation for lower job performance and less promotability appears to be the lower degree of discretion allowed to Black managers and the lower levels of acceptance for Black managers.

These explanations are supported by studies that examine racial differences in performance evaluations. These studies examine both the evaluators' race and the race of the employee being evaluated. In a meta-analysis of race effects in performance ratings, Kraiger & Ford (1985) reviewed ten years of previous research. They found that across the studies, White evaluators assigned significantly higher ratings to White employees than to Black employees. Likewise, Black evaluators assigned significantly higher ratings to Black employees than to White employees. However, race effects decline as the percentage of Blacks increases. When there are more Black evaluators rating performance, then there is less bias overall for both races.

Similar findings have been obtained regarding gender (Sackett, DuBois, & Noe, 1991; Waldman & Avolio, 1991). For example, using a large database from the U.S. Employment Service, Sackett, DuBois, & Noe (1991) found that overall performance scores for men and women were almost the same, except in firms where the proportion of women was less than 20%. In these firms, women had substantially lower performance ratings than men. In fact women's scores remain lower than those of men until the percentage of women increases to 50% or more. Interestingly, "reverse tokenism" does not occur. When men make up a very small percentage of the work group, they do not have a significantly lower rating than women. Thus, token status alone is not sufficient to produce a difference in performance ratings. The nature of the token is also important.

Additional support for the lack of gender differences in performance comes from research demonstrating that women are just as capable as men in filling top level managerial positions in organizations. Kalleberg and Leicht (1991) examined small businesses in the food and drink industry, computer sales and software, and healthcare. Results indicate that businesses headed by women were not more likely to go out of business than those headed by men, nor were they less successful than those headed by men. There were no differences in earnings growth between businesses headed by men and those headed by women.

Strategies for Enhancing the Relationship: Recruiting, Advancement, and Work-Family Programs

Recruiting. The Federal Glass Ceiling Commission recommends that organizations expand their vision and seek candidates from non-customary sources, backgrounds and experiences and that the executive recruiting industry work with businesses to explore ways to expand the universe of qualified candidates (*Good for Business*, 1995).

In his analysis of earnings inequality for the Federal Glass Ceiling Commission, Tomaskovic-Dewey (1994) advocates among other important variables, that the following recruiting-related conditions help bring about better representation in the upper echelons of organizations:

- Employment relations are characterized by formal job descriptions, including explicit listings of required credentials and experience.
- Employees are seen as having rights as well as duties.
- Job openings are formally advertised or posted.

In their Federal Glass Ceiling Commission monograph, Thomas, Porterfield, Hutcheson, and Pierannunzi (1994) suggest the following with regard to recruiting:

- Recruitment committees should be representative (racially, culturally, and gender-wise) of larger society served by the organization.
- Selection decisions are more equitable when they are not made by any one individual; selections should be committee decisions based on previously established criteria.
- Organizations should expand their use of formalized internship programs, particularly for women and minorities because the exposure socializes the individual to the organizational environment and appropriate protocol and the organization is allowed the opportunity to train and season potential employees.

Advancement. Even if they make it through the front door, minorities and women often find themselves removed from strategic decisions and channeled into staff positions that provide little access and visibility to corporate decision makers. A second strategy for enhancing the relationship between diversity and retention is to design targeted opportunities for training and experience that will eventually result in advancement and promotion. In conjunction with this strategy, the Federal Glass Ceiling Commission recommends that organizations expand access to core areas of the business and to various developmental experiences and establish formal mentoring programs that provide career guidance and support to prepare minorities and women for senior positions (*A Solid Investment*, 1995).

Results reported in the UW Market Research confirm the need for these types of programs in Wisconsin. Thirty percent of the male Wisconsin CEOs felt that special efforts should be made to facilitate the advancement of women and minorities into upper management positions; sixty-four percent of the female Wisconsin CEOs felt that special efforts should be made. UW Market Research suggests that the most common programs in place in organizations with more than 500 employees are career development programs, flexible work schedules, and opportunities for networking.

Based on their review of research regarding the relationship between diversity and retention literature, Cox and Smolinski (1994) suggest that the key to retaining women is giving attention to career growth in addition to work-family role balance issues. They emphasize that within existing job levels, the opportunity for assignments to the most challenging projects and job tasks must be equally available to all qualified persons.

Some researchers have advocated that organizations interested in establishing fairness in hiring, promotion and pay along race and gender lines must first examine the sources of internal sex and race job segregation, and then examine the consequences of this segregation for how the work is organized as well as paid. For example, in his monograph produced for the Federal Glass Ceiling Commission, sociologist Donald Tomaskovic-Dewey suggests that in order to surmise whether gender and race segregation exists, human resource professionals should ask questions such as:

- Are women and minorities excluded from desirable jobs here?
- Are jobs that are typically filled by females or minorities paid less than jobs typically filled by White males at comparable skill levels?
- Are females and minorities given less training time, promotion opportunity, task complexity and autonomy?

If the answer to any of these questions is yes, then it should come as no surprise if few women or minorities turn out to be promising candidates for promotions. Nor should discrimination and pay equity lawsuits be a surprise.

To counteract the inequality, many firms may find that they need to restructure positions that are viewed as typically “female” or “minority” jobs or make greater investments in the skills of females and minorities (Tomaskovic-Dewey, 1994). This will reduce organizational skill and wage inequality. It will also increase the attractiveness of typically female and minority jobs to all workers, thus reducing segregation. Most importantly, it will increase the skill levels of the entire labor force, eventually contributing to higher productivity across the board.

It is very important that appointments be made based on ability rather than on gender or minority status. Promoting unqualified workers does not benefit the organization, nor does it benefit the individual. The perception that one received a position based on gender or minority status can be detrimental. For example, in a study of fifty-five female managers, Chacko (1982) found that women who perceived that they had been selected for a management position because of their gender showed lower organizational commitment, more role ambiguity and conflict, and less satisfaction with their work, co-workers, and supervision. These findings demonstrate that ability is critical. Additional research conducted by Wesley, Brown and Bartle (cf. Click, 1995) suggests that managers in most large U.S. corporations agree, firmly advocating performance-driven diversity hiring and promotion.

Several streams of research have demonstrated that race and gender inequality decline in firms with more formalized employment relations (Catalyst, 1994; Harris, 1994; Tomaskovic-Dewey, 1994). On the other hand, employment relations that rely on traditional assumptions and unmonitored interaction patterns (e.g., “the old boys network”) are more likely to produce discriminatory workplace practices. Tomaskovic-Dewey (1994) also suggest that tall managerial hierarchies insulate line management from the equal opportunity goals of top management. He argues that, “Such hierarchies produce the control-oriented inertia that give bureaucracy a bad name. They also create a class of advantaged employees with advantages to defend” (1994: 8). The research reviewed by Tomaskovic-Dewey suggests that when line managers are accountable to both employees and upper management in terms of formal rules, exclusionary practices become less common.

In a similar vein, Thomas et. al. (1994) argue that perhaps the most salient problem with performance appraisal and advancement is the organization’s reliance on informal decision-making networks, rather than formal processes. These researchers advocate that appraisal and promotion decisions are best arrived at through the formation of a formal committee and the inclusion of all committee members at each stage of the process. Furthermore, standards for evaluation and promotion should be written and understood by all individuals involved, including both the candidate and the committee.

Thomas et al. (1994) also recommend that managers and promotion committee members would best serve the organization if they successfully complete a previously established level of training in the area of workforce diversity. More specifically, this training should stimulate sensitivity to personal, social, and cultural differences. Communication skills, such as learning how to listen and how to provide feedback, are essential.

Finally, Thomas et al. (1994) advocate open discussions of issues that are of concern to employees. The discussions may help provide employers some insight as to how employee turnover may be minimized and how the needs of the organization and employees might be met. These ideas will help maximize the efficiency of the organization as well as encourage strong employee loyalty.

Work-family issues. The findings of the Federal Glass Ceiling Commission emphasize that “family friendly” policies, although they benefit all employees, are an important step to take to enhance the link between diversity and retention. The Commission recommends that organizations adopt policies that “recognize and accommodate the balance between work and family responsibilities that impact the lifelong career paths of all employees” (*A Solid Investment*, 1994: 26).

Companies often find that revising benefit plans and work schedules can reduce turnover and absenteeism. In one study, companies were assigned an “accommodation score” on the basis of 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 (Cox & Smolinski, 1994).

Studies of the impact of company investment in day-care on human resource costs indicate that absenteeism can be as much as 30 percent lower in firms that have company-sponsored day care, and that turnover can be as low as 2 percent, as compared to 6 percent in non-benefit companies (Cusack, 1990; Youngblood & Chambers-Cook, 1984).

Another management response to increasing diversity in the workforce is greater use of flextime work scheduling. These programs allow workers to start their day early and end it early, or start their day late and end late in order to better accommodate their children’s schedules. Other programs in this category allow a four-day work week in conjunction with a ten-hour work day. One field experiment assessing the impact of flextime use on absenteeism and worker performance found that both short- and long-term absence declined significantly and that three of the four worker efficiency measures increased significantly under flextime (Kim & Campanga, 1981).

Finally, it is absolutely critical for organizations to identify elements in the organizational culture that may contribute to high turnover among women, non-White men or persons of other identity groups and then create an action plan to eliminate these factors (Nelton, 1988). For example, General Electric has recently developed a “Glass Ceiling Self-Audit” process. In conjunction with this program, managers at GE rate the extent to which they manage diversity. The process is designed to position GE to address the glass ceiling proactively rather than simply responding to pressure from internal or external constituents.

Unresolved Issues:

- What are the organizational factors in the hiring and promotion process contributing to the exclusion of women and minorities?
- What are the individual factors impeding women and minorities from advancement?
- What are the key strategies for retaining women and minorities?

LINK #2: DIVERSITY AND EFFECTIVE PROBLEM SOLVING

Description of the Relationship: This link describes the potential relationship between diversity in groups and effective problem solving. Diverse groups, often referred to as “heterogeneous” as opposed to “homogenous,” contain a great deal of demographic variety. Because we are primarily interested in relatively stable demographic characteristics such as gender, race, and nationality, research pertaining to this type of variety was reviewed. This research suggests that heterogeneity can result in more effective and creative problem solving. This may be because the injection of contrasting points of view helps to prevent the kind of ‘tunnel vision’ that is often experienced by more homogenous groups (Sausser, 1988). In doing so, teams that are diverse in terms of gender, race and/or nationality help organizations establish competitive advantage.

Importance of Impact: Wisconsin CEOs surveyed in the UW Market Research rated this type of link as the single most positive impact of diversity in organizations. In her field research comparing high- and low-innovation companies, Kanter (1985) found that the most innovative companies were those that deliberately established heterogeneous teams. Research conducted in educational institutions demonstrates that a key defining characteristic of innovative organizations is the tolerance of diversity, defined as judging relatively few behaviors as deviant from norms (Siegel & Kaemmer, 1978).

Evidence of the Link: As early as the 1960s, researchers began investigating the impact of heterogeneity in groups. For example, one series of studies found that heterogeneous groups produced better-quality solutions to problems than did homogenous groups (Hoffman & Maier, 1961). In a second stream of research, the creativity, originality, and practicality of ideas produced by homogeneous versus heterogeneous teams were compared. Results indicated that as long as the team members had similar ability levels, the heterogeneous teams were more creative (Triandis, Hall & Ewen, 1965). A third set of studies conducted by Nemeth and her colleagues found that the level of critical analysis of decision issues and consideration of non-obvious alternatives was higher in groups subjected to minority views than in those that were not (Nemeth, 1985; Nemeth & Wachter, 1983). A fourth study of ethnic diversity and creativity on a brainstorming task found that the ideas produced by ethnically diverse groups were rated an average of 11 percent higher than those of the homogenous groups in terms of both feasibility and overall effectiveness (McLeod, Lobel, & Cox, 1993).

Unfortunately, the vast majority of these early studies were conducted in the laboratory, comparing temporary groups working on menial tasks. At this point, we are less certain whether these same findings can be generalized to organizational settings. Preliminary evidence suggests that indeed, actual work groups that are diverse are better at problem solving. For example, in their annual survey of membership organizations, the American Management Association asked organizational representatives to comment on the outcomes of group heterogeneity. Members reported that heterogeneous work groups create more innovative and effective solutions than do homogeneous work groups (HR Focus, 1993).

A second stream of research in organizational contexts has investigated the relationship between the composition of top management teams and innovation. Because so few members of top management teams are women and minorities, this research has investigated the impact of other demographic characteristics such as education and work function. For example, based on data from 199 banks, the Bantel & Jackson (1989) concluded that both diversity of education and diversity of work function were positively related to measures of innovation when other factors such as organization size, team size, and location of operations were held constant. The authors speculate that perhaps these same results will occur if teams are diverse in terms of other demographic characteristics.

Why This Relationship Exists: Diverse groups often have a broader and richer base of experience from which to approach a problem. As a result, critical analysis in diverse decision groups is enhanced. It is important to realize that these advantages stem from variety in skills, values, and perspectives that often are associated with gender and cultural backgrounds, not from the category membership per se.

For example, there is some evidence that members of minority groups tend to have especially flexible cognitive structures (Cox, 1993). For example, research indicates that women tend to have a higher tolerance for ambiguity than men; tolerance for ambiguity has been linked to a number of factors related to flexibility (Rotter & O'Connell, 1982) and the ability to excel in performing ambiguous tasks (Shaffer, Hendrick, Regula, & Freconna, 1973). A third series of studies has shown that bilinguals have higher levels of divergent thinking than monolinguals (Lambert, 1977); since bilingualism is greater among minority culture groups, this research suggests that cognitive flexibility is increased by the inclusion of minorities in workgroups.

In addition to diversity in cognitive skills, research also suggests that diversity in terms of cultural values can be a resource. For example, one stream of research has demonstrated that cultural backgrounds are related to the work values that people hold, and that these values influence how people interact at work (Hofstede, 1980). In his important landmark study, Hofstede examined responses provided by 116,000 IBM employees representing fifty countries. He found that two common work values, power distance and individualism, determine much of our interactions at work. Power distance describes the relationship between superiors and subordinates. It is the extent to which the less powerful members of organizations accept that power is distributed unequally. In some cultures, there is a great deal of interpersonal distance between superior and subordinates (high power distance); in other cultures, there is less interpersonal distance. Individualism describes the strength of ties between individuals. In some societies the ties between individuals are very loose and people look after themselves. In other societies, people from birth onwards are integrated into strong, cohesive in-groups, which continue to protect them throughout their lifetime in exchange for their loyalty.

Perhaps most importantly, subsequent research has suggested that peoples' ethnic identity and corresponding work values, influence their work behavior. Bochner and Hesketh (1994) for example, surveyed 429 staff members representing 28 ethnic groups. They found that ethnic groups characterized by high power distance were less open with their superiors, had more contact with them, described the supervision as being more close and direct, and were more task oriented than groups characterized by low power distance. Groups low on individualism had more informal contact with their fellow co-workers, knew the staff better, and were more likely to enjoy working on a team than alone.

This research indicates that work values, which vary based on cultural background, can result in very different ways of approaching work. Therefore, groups that are diverse in terms of cultural background will be able to draw upon very diverse viewpoints and approaches when solving problems.

Understanding that skills and work values vary according to ethnic identity helps to explain why diverse groups have a greater breadth of viewpoints, frameworks, and opinions to draw upon. However, it can also help explain why some heterogeneous groups experience problems. These are discussed in the next section.

Barriers to Achieving This Link: Communication Breakdown, Conflict, and Lack of Cohesiveness

Early research on groups suggested that heterogeneous groups have more process problems than groups that are homogenous with regard to gender or personality profiles (Hoffman, 1959; Triandis, Hall, & Evans, 1965; Feldman, Sam, McDonald & Bechtel, 1980). The positive conflict among team members' cognitive resources (skills, values, attitudes, personalities) is what makes diverse teams valuable. These conflicts are also what make it difficult for diverse team members to work together effectively (Epton, Payne, & Pearson, 1985).

Communication. In addition to difficulties based on attitudinal differences, culturally heterogeneous groups often report a less pleasant atmosphere and experience greater communication difficulties than homogenous groups (Fiedler, 1966). Communication differences related to culture may become the source of misunderstandings and ultimately lower work group effectiveness. When such misunderstandings are prevalent, one might expect a disruption in the work flow and errors in work performance. However, many communication difficulties can be reconciled when members become aware of intercultural differences in communication styles and take steps to minimize their detrimental effects (Gibson, 1996). There is some evidence that diversity, in and of itself, is not responsible for how well a team works together; what matters is whether the team can communicate clearly, solve differences constructively, and generate innovative solutions (Daly, 1996).

Simons (1995) recently obtained additional evidence that diversity in a team can affect communication processes, which in turn affect indicators of performance. Although Simons focused on diversity with regard to educational heterogeneity, functional heterogeneity, and tenure heterogeneity, some of the same type of intervening processes may occur with regard to gender and cultural diversity. Simons investigated top management teams in 52 electronic component manufacturing firms. Results indicated that both educational and functional heterogeneity of a top management team interact with the debate process inside the team to influence profitability.

Conflict. Problems arising in teams due to diversity are often based on perceptual biases. One such bias is the *incompatibility error* (Thompson & Hastie, 1990; Northcraft, Polzer, Neal & Kramer, 1995). This error occurs when stereotypes and poor communication among diverse members of a team lead team members to misconstrue things others say, even though there is no underlying reason for disagreement on specific issues. The real problem is that team members tend to categorize themselves and others on the basis of social categories (e.g., he is a man so he must think...). This can result in meaningless arguing and posturing where there is no real conflict (Northcraft et al., 1995). It can also lead to competition within the group rather than collaboration (Ginn & Rubenstein, 1986). Perhaps most important, groups perceiving themselves to be in goal conflict will exhibit distrust. Eventually, communication and helping behaviors may deteriorate (Souder, 1987).

The same processes of social categorization and identification that lead to incompatibility error can also be a valuable resource. This is because social categorization based on stereotypes can sometimes reflect real underlying differences in values and attitudes that can be used by the team to provide breadth of knowledge, approaches or perspectives (Northcraft et al. 1995). The process of social categorization only becomes divisive if it leads team members to believe that functional conflicts are actually distributive (e.g., win-lose...I can only achieve my goals if he does not achieve his).

Although there is potential for conflict within groups when members are diverse, there is some evidence that relations between groups might be better when members are diverse (Blum, 1985). For example, Cox, Lobel and McLeod (1991) compared groups that were either all Anglo or ethnically diverse. When presented with a choice of behaving cooperatively or competitively, groups composed of Asian, Black, Hispanic and Anglo individuals acted more cooperatively than groups composed solely of Anglos.

Cohesiveness. Diversity can potentially reduce cohesiveness because of confusion regarding attitudes. Cohesiveness is the extent to which group members are attracted to, comfortable with, and satisfied with, their work groups. Numerous studies have demonstrated that cohesiveness is related to group performance (Sundstrom et al. 1990). For example, when members of a work group differ on many characteristics, status relationships become less clear, and feelings of incongruity may arise (Ziller, 1973). This is often evidenced when a woman who is a team leader represents status incongruity for persons who are more accustomed to being supervised by men.

Recently, Maznevski and DiStefano (1996) investigated the integration of perspectives in diverse groups. Results should be viewed with caution, given that this was a laboratory study conducted with students. However, the tasks were modeled after realistic organizational responsibilities. The authors found that the more diverse the group was in terms of gender or country of origin, the less shared were their initial norms for behavior. However, gender diversity had a direct positive impact on perceived quality of output, and the more ethnically diverse groups reported greater satisfaction with the experience. Based on these results, Maznevski and Di Stefano (1996) developed several techniques for integrating perspectives. These techniques are discussed below, along with other strategies that might be used to enhance the problem-solving effectiveness of heterogeneous teams.

Strategies for Enhancing the Relationship: Attitudinal Awareness, Team Development, and Longevity

To realize the long-term benefits of enhanced effectiveness, diverse groups must be able to bear some short-term costs. These costs are directly attributable to working with and through the diversity that represents the potential for competitive advantage (Northcraft, Polzer, Neale, and Kramer, 1993).

Attitudes and values. Research suggests that in order for heterogeneous teams to produce superior performance, members must have advanced awareness of the attitudinal differences of other members (Triandis et al. 1965). This indicates the importance of managing diversity by informing work group members of the attitudinal differences of others. Information sharing of this type is frequently a part of educational programs designed to increase awareness of cultural differences among organization members.

Maznevski and DiStefano (1996) suggest that three processes must be developed in a team to successfully integrate diverse perspectives. These include: (1) approaching - motivating and building the confidence necessary to discuss differences in perspectives; (2) decentering - encouraging people to try on others' perspectives, and (3) recentering - developing a shared view and shared norms with the team. The authors' research provides partial support that these processes will increase effective integration in problem-solving groups. Preliminary results showed a high statistical correlation between cross-cultural training in these areas and strong team performance.

Richardson and Richardson (1989) suggest that appreciation of differences among participants is the key to the success of a diverse team. A diverse team that appreciates the positive and constructive potential of differences in values and attitudes, personalities, and skills is more likely to welcome the expression of those differences, thereby making the benefits more attainable. Education about other team members and the win-win nature of their goals is one way to accomplish this appreciation (Northcraft et al., 1995).

Although it is important to recognize and draw upon differences, at the same time, it is dangerous when one assigns different reasons for their own success or failure than they do for others' successes or failures. For example, consistently suggesting that "skill" is the reason for your own success, but that "luck" is the reason for others' success is not productive. Triandis (1995) suggests that one of the most important skills that team members can learn is to make "isomorphic attributions" (Triandis, 1995). This requires that people learn to assign causes to the social behavior of others that are similar to the causes they assign to their own behavior. There is evidence that people who use isomorphic attributions experience less culture shock and have better interpersonal relationships with members of other cultures than do people who use very different attributions (Triandis, 1995).

Team development. Maznevski (1994) is developing a model to explain performance in highly diverse decision-making groups. While acknowledging that diverse groups sometimes perform less well than homogeneous groups, she argues that diversity can enhance a group's performance if it is integrated. She proposes that communication is the key integrating tool. According to Maznevski, if members of diverse groups can learn to communicate more effectively, they can easily overcome difficulties sometimes associated with heterogeneity. An example of an intervention to enhance problem solving in diverse teams might include the following steps (cf. Maznevski, 1994: 548):

- Discuss the communication processes that pertain to the work performed by the group.
- Provide group members with information regarding the potential impact of diversity.
- Observe applicable models of interaction to identify and understand effective and ineffective communication behaviors for diverse groups - this could be accomplished by having them observe other groups similar to their own, their own pre-recorded action, or professionally prepared videos showing interaction in groups with a similar type of diversity.
- Have groups practice appropriate behaviors by role playing structured situations.
- Identify patterns of interaction specific to the group and the situations that facilitate good communication.

Research conducted by Tannen (1995) concurs. She has effectively demonstrated that gender plays an important role in workplace communication. Drawing upon a sociological view, Tannen suggests that boys and girls learn different linguistic norms through play with other children of the same sex. The result is that women and men tend to have different speaking styles, much like people who grew up in different cultures. Tannen (1995) argues that a better understanding of linguistic style will make managers better listeners and more effective communicators, allowing them to develop more flexible approaches to a full range of managerial activities.

In a similar vein, Shea (1992) advocates a number of techniques that go beyond awareness and understanding of ethnic, cultural, and gender-related differences in order to draw these differences into the organization as assets. Using a technique referred to as asset recognition training, course participants discover individual uniqueness using various exercises, including filling out worksheets that reveal personal experiences, insights, and knowledge. Spectrum policy, a second technique, helps to build a sense of contribution in the person and helps other team members appreciate their uniqueness. Finally, Shea (1992) recommends conflict resolution techniques to explore differences and solve problems in a collaborative fashion.

Northcraft et al. (1995) suggest that casual interaction will also help promote familiarity and adjustment that will help diverse individuals see the commonalities beyond their surface conflicts. Physical proximity can help increase casual contact that can help reduce negative stereotyping and increase liking (Amir, 1969; Zajonc, 1968). For example, Levi-Strauss Inc. found that diverse teams meetings work best if the furniture is arranged as a horseshoe so that all participants can see each other clearly (Laabs, 1992).

Longevity. Recent research suggests that time is also a critical factor. As the amount of interaction among team members increases, each team member influences the thinking and perspectives of other team members (Northcraft & Neale, 1993).

Empirical research supports this notion. Watson, Kumar, and Michaelsen (1993), for example, investigated the impact of cultural diversity on group interaction and group problem solving over time. Their study involved 36 work groups of two types: (1) homogenous consisting of all White Americans, and (2) heterogeneous consisting of White Americans, Black Americans, Hispanic Americans and foreign nationals. Over the course of four months, these work groups completed four projects. Various aspects of performance, including range of perspectives, number of potential problems identified, generation of multiple alternatives, quality of recommendations, overall performance and group interaction process were measured on a monthly basis. During the first three months, homogenous groups outperformed the diverse groups on several of the performance measures and reported significantly more effective process than the diverse groups. However, after four months, diverse groups scored significantly higher on range of perspectives and alternatives generated, and both types of groups reported equally effective group processes. Watson et al. (1993) conclude that diversity constrains process and performance among members of newly formed groups; however, limitations can be overcome, and eventually diverse groups will outperform homogeneous groups.

Unresolved Issues:

- What aspects of an individual's identity have the most pervasive influence on a diverse team?
- How much time is needed in order to realize the benefits of diversity in teams?
- How can the initial limitations of diversity in teams be effectively counteracted?
- What are the effective strategies for combining information in diverse teams?
- What techniques are most effective in minimizing interpersonal conflict in diverse teams?
- How can balance between heterogeneity and cohesiveness be achieved in new teams?

LINK #3: DIVERSITY AND MORALE

Description of the Relationship: The third type of diversity effect occurs due to “diversity climates” in organizations. A diversity climate is an organization’s reaction to differences in gender, race, and nationality (Cox, 1993). The diversity climate can influence employees’ motivation to contribute to the organization, the effective functioning of work groups, and labor costs such as absenteeism and turnover in organizations. These outcomes, in turn, directly affect the profitability of profit-making firms and the success of nonprofit firms.

Evidence of the Link: Diversity climates can influence how people think and feel about their jobs and their employers. These feelings of morale affect their contributions to the organization. For example, a study by Eisenberger, Fasolo, and Davis-LaMastro (1990) examined the impact of attitudes on various individual work outcomes with samples of police officers, brokerage clerks, and public school teachers. The authors found that employees’ perceptions of being valued by an organization had a significant positive effect on their conscientiousness, job involvement, and innovativeness.

In a sample of 188 managerial and professional employees, Graves and Powell (1994) demonstrated that satisfaction and commitment increased as discrimination against a respondent’s gender decreased, leveled off when practices were gender-neutral, and increased as practices favoring the respondent’s gender increased. In a similar vein, Heilman, Simon, and Repper (1987) compared gender-based preferential selection methods with merit-based methods. They found that female self-perceptions and self-evaluations were negatively affected by the gender-based preferential selection method; however, males experienced no such declines in self-perception or self-evaluations following gender-based selection.

Differences in level of commitment were found between males and females in many earlier studies (Center & Bugental, 1966; Gaddick & Farr, 1983; Mottaz, 1986; Voydanoff, 1979, cited in Lefkowitz, 1994). However, more recent research suggests that when type of work and/or pay level are taken into consideration, males and females share similar commitment levels (Aranya, Bushnir & Valency, 1986; Bruning & Snyder, 1983; Lefkowitz, 1994; Smith, 1977; Varca, 1983). For example, Lefkowitz’s study of 732 workers across several organizations, professions and levels demonstrated that “men and women react similarly to the world of work when one controls the spurious effects of systematic differences in the job held and rewards received by women in comparison with men -- especially differences in income level” (1994: 323).

Similarly, early studies found racial differences in job satisfaction (Moch, 1980; Milutinovich, 1977; Weaver, 1978); however, more recent research (e.g., Fry & Greenfield, 1980; Konar, 1981; Luthans, McCaul, & Dodd, 1985; Witt & Nye, 1992) has reexamined these findings. Konar (1981) argues that most of the variance in job satisfaction associated with race is associated with structural, cultural, and social-psychological factors. For example, race was related to the job level respondents obtained. Job level, in turn, was related to job satisfaction. These findings strongly suggest that race does not influence job satisfaction directly, rather race influences satisfaction through its influence on job level.

Why This Relationship Exists: Often, women and minority employees are left out of social activities or informal communication networks, which causes feelings of isolation and lower organizational commitment (Rosen & Lovelace, 1991). One argument as to why this occurs suggests that simply being “different” from the majority lowers individuals’ commitment to organizations. Researchers such as Tsui, Egan, and O’Reilly (1992) have investigated how a person reacts when they differ from others in their group in terms of age, tenure, education, gender or race. In a sample of 1705 respondents representing 151 groups, these researchers found that the greater the demographic difference between an individual and others in their group, the more frequent they will be absent, the less they will be committed, and the weaker their intention to stay with the organization.

Pugh and Wahrman (1983) have explored the underlying reasons why women and minorities sometimes perform less well in work groups even when there is no difference in actual ability levels. They suggest that in diverse groups, the minority members have been socialized to defer to the judgments of majority members. On the flip side, majority members have been socialized to refuse influence by the minority members. The authors suggest that, given these stereotypes, we must change the perceptions that lead to inequity, isolation, and decreased organizational commitment. In this case, we need to change the perceptions that majority members have of minorities, and the perceptions that minority members have of themselves.

Barriers to Achieving this Link: Prejudice, Stereotyping and Ethnocentrism

Research suggests that racial and gender stereotypes are still held by many members of society. For example, a study by Greenhaus and Parasuraman (1993) investigated performance attributions for 748 managers and their supervisors from three firms. The managers’ job performance had been judged as satisfactory. However, when examining attributions regarding why the managers’ performance was good, the researchers found that Blacks’ successful performance was less likely to be attributed to ability than Whites’. The success of high performing women was also less likely to be attributed to ability than was men’s success. Longitudinal studies have demonstrated persistent gender stereotypes over time (e.g., Brenner, Tomkiewidz, & Schein, 1989; Dubno, 1985). For example, Dubno (1985) examined positive and negative attitudes toward female executives among 376 men and 289 women over an eight-year period. Males consistently responded with negative attitudes toward women. Female attitudes toward women were consistently positive.

Research conducted by Gutek, Cohen, and Tsui (1996) investigated reactions to perceived discrimination among participants involved in executive education programs. Gutek et al. demonstrated that both men and women perceive more discrimination against women in the work place than against men. Furthermore, the more that women perceived discrimination against women, the lower their job involvement, the more work conflict they experienced, and the stronger their intent to leave the program.

Interestingly, gender role stereotypes occur among people of all types. McRae (1994) demonstrated that Black managers' gender stereotypes influenced their hiring decisions just as readily as did White managers'. A sample of 131 Black managers was asked to complete an applicant rating exercise for a female gender-typed job (benefits officer) and a male gender-typed job (finance officer). Female applicants received higher ratings than male applicants for the female gender-typed job from *both* male and female respondents. All in all, the results suggest that sex stereotyping is more pronounced for female sex-typed jobs than for male gender-typed jobs, and that most managers, regardless of gender or race, hold these stereotypes.

In a similar study, Goktepe and Schneier (1989) found that regardless of gender, group members with masculine gender role characteristics emerged as leaders significantly more often than group members with feminine, androgynous, or undifferentiated gender role characteristics. This finding was consistent across twenty-eight task groups. Likewise, Ragins (1989) found that male and female managers received equivalent ratings when perceived as using the same forms of power.

Research suggests that representation of women in the upper levels of an organization also affects the salience of gender role stereotypes (Ely, 1995; Perkins, 1994). For example, a study conducted by Ely (1995) compared stereotypes in gender-integrated firms with stereotypes in male-dominated firms. Gender roles were more stereotypical and more problematic in firms with relatively low proportions of senior women. Women in male-dominated firms exaggerated psychological and behavioral differences between men and women in a manner that is consistent with gender-role stereotypes. They evaluated women's attributes less favorably in relation to firm requirements for success.

Representation of women in the upper levels of an organization also appears to affect the quality and nature of relationships among women in that organization. In one study (Ely, 1994), quantitative and qualitative analyses of interviews and questionnaire data were used to compare women's same-gender relationships in firms with relatively low and high proportions of senior women. Women in firms with few senior women were less likely to perceive senior women as role models with legitimate authority, more likely to perceive competition in relationships with female peers, and less likely to find support in these relationships. In a second study, the ability of professional women to form productive relationships with female co-workers was related to the proportion of women in senior management, not the number of professional women overall (Perkins, 1994).

The findings obtained by the UW Market Research also suggest that gender stereotypes are still rampant. Open ended responses to the question, "*Which factors prevent women and minorities from advancing into upper management positions?*" included statements such as, "women choose not to lead," "women get pregnant," "management is stressful and demanding," "lack of personal goals and initiatives," "lack of desire by women for upper management positions," and finally, "most young women are biologically and emotionally unable to fulfill requirements of upper management." There is no empirical evidence supporting these opinions.

Strategies for Enhancing the Relationship: Education, Integration and Mentoring

Education and Integration. Several researchers have proposed that increasing the integration of the minority groups into organizations can help to improve morale and job involvement (Cox, 1993). They suggest that we must develop diversity climates that discourage prejudice and stereotyping, decrease ethnocentrism, and increase intercultural awareness. Doing so can potentially motivate minority members to increase their contributions, potentially increase the performance of work groups, and potentially decrease absenteeism and turnover. Findings obtained by UW Market Research indicate this may be true. Diversity training was positively related to the level of job satisfaction among the Wisconsin CEOs.

Preliminary research suggests certain techniques are promising mechanisms for changing diversity climates. In one important investigation, Pugh and Wahrman (1983) investigated three strategies for changing male expectations regarding female influence in task groups: (1) informing subjects that gender does not predict success on a task, (2) allowing female subjects to demonstrate equal competence on a task, and (3) allowing females to demonstrate superiority and males to demonstrate inferiority on a task. Results suggest that simply providing information (i.e., the first strategy) did not change behavior. Allowing females to demonstrate equal competence (i.e., the second strategy) seemed to neutralize the males' advantage over the females, but had little effect on the female members themselves. Allowing the females to demonstrate superiority (i.e., the third strategy) affected both the behavior and expectations of both males and females. Applying the findings to an organizational setting, the results highlight: (1) the importance of providing minority members opportunities to excel and (2) the critical step of informing the entire organization of minority member accomplishments.

Research has also demonstrated that exposure to successful women can help counteract discrimination and mitigate stereotypes. In one study (Heilman & Martell, 1986), participants first "evaluated" some reading material and then were asked to rate an applicant for the job of finance manager trainee. The reading material pertained to either successful women in law or in finance. The results suggested that exposure to successful women can mitigate gender discrimination in screening decisions, but only where there is a connection between any example shown and the actual occupation (e.g., reading about successful women financial executives will mitigate gender discrimination where a woman is applying to be a financial manager trainee). Relevance of the information and the representativeness of any woman depicted in the example are critical.

Human resource professionals at Corning Glassware have taken this suggestion to heart. The company has made an effort to improve communications by printing regular stories and articles about the diverse work force in its in-house newspaper and by publicizing employee success stories that emphasize diversity (Thomas, 1990).

At the same time, research indicates that simply presenting the information or being exposed to women is not enough. For example, in a series of two studies with 101 bank managers, the extent of interaction with female employees, in general, did not predict attitudes toward women as managers (Bhatnagar & Ranjini, 1995). Exposure benefited females only when interaction with the female employees was perceived as positive. Bhatnagar and Ranjini (1995) state, "Mere increase in exposure and attitude do not correlate." This implies that by themselves, policies designed to increase the numbers of women in an organization may be insufficient to improve attitudes toward women. Organizations must go further and "create enabling conditions so that competent women can perform well" (Bhatnagar & Rajini, 1995). Investing in diversity-related education programs is one of the most important steps an organization can take to change the diversity climate (Cox & Smolinski, 1994).

Iles (1995) has developed a model of managing diversity that focuses on working with differences. He suggests that synergy and integration across diversity is more likely to occur if team and organizational members display intercultural competence. Communication competence is particularly important. Members need to understand their differences, communicate across them, acknowledge stereotypes, and actively value diversity and use it as a resource. Marcia Worthing, corporate vice president for human resources at Avon, goes so far as to say, "The key to recruiting, retaining and promoting minorities is not the human resource department. It's getting line management to buy into the idea. We had to do more than change behavior. We had to change attitudes" (cf. Thomas, 1990). Avon initiated awareness training at all levels in all departments.

Many other corporations have also undertaken educational diversity programs. Levi-Strauss, for example, reportedly invested \$5 million per year in "Valuing Diversity Programs" (Cuneo, 1992). The Monsanto Company requires that every employee participate in two days of diversity awareness training, and selected officials participate in an additional four days to gain a more in-depth understanding of diversity issues. Corning Glassware introduced mandatory awareness training for some 7,000 salaried employees in 1990. Corning employees participate in a day and a half of training for gender awareness and two-and-a-half days for racial awareness (Thomas, 1990). Digital Equipment Corporation runs a voluntary two-day training program called "Understanding the Dynamics of Diversity," which thousands of Digital employees have now taken. Digital also helps people get in touch with their stereotypes and false assumptions through what Digital calls Core Groups. These voluntary groupings of eight to ten people work with company-trained facilitators whose job is to encourage discussion and self-development, and in the company's words, "to keep people safe" as they struggle with their prejudices (Thomas, 1990).

Mentoring. The problems of advancement for women and minorities are most often based on limited access to informal networks and the breadth of career preparation. Previous research has demonstrated that having a mentor is related to advancement and career success (Dreher & Ash, 1990; Scandura, 1992). Numerous researchers and practitioners alike have argued that mentoring of women and minorities can improve their integration into organizations and, in the long run, enhance the benefits of diversity to the organization.

Women often have more difficulty than men in identifying mentors, and therefore have a disadvantage in terms of obtaining mentors and becoming integrated into the organization. One argument as to why this occurs is that men more easily bond with men and women bond with women, yet there are more men in upper level positions, so men searching for a mentor have a greater pool from which to draw. There are far fewer women in the upper echelons, so women have a limited pool (Ragins, 1989). A second argument is that women who do occupy upper level positions may still bear disproportionate responsibility for family. Theoretically, then, there may be bigger costs to them to take on the time-consuming task of mentoring women at lower levels of the organization. Ragins and Scandura (1994) investigated these two arguments in a matched sample of 80 male and 80 female executives. Women were just as likely as men to serve as mentors and reported outcomes and intentions for future mentoring similar to men's. As a result of these findings, Ragins and Scandura suggest that the only valid argument for a lack of female mentors is that there are fewer women at higher levels to serve as mentors.

Interestingly, there is some research evidence that mixed gender mentor-protégé relationships are less effective than same-gender relationships. In an organizational study of 272 pairs, Tsui and O'Reilly (1989) found that subordinates in mixed gender pairs were rated as performing more poorly, were less well liked, and experienced higher levels of role ambiguity and role conflict than did the subordinates in same-gender pairs. Women subordinates working with women superiors were rated most effective, were liked most by their superiors, and reported the lowest levels of role ambiguity. No support was found, however, for analogous effects of race. Subordinates in mixed-race pairs were not rated differently from subordinates in same-race pairs.

At the same time, some researchers (e.g., Brass, 1985) have argued that encouraging same-gender mentoring may be fruitless because what women really need is to gain access to and build the informal networks with the top management team in organizations. Networks are social resources for power and psychosocial support. They are very important to career success. Studies that investigate networks of relationships in organizations have demonstrated that individuals' positions in workflow and interaction networks relate strongly to measures of social influence. One study in a newspaper publishing company found that promotions were significantly related to centrality in departmental networks (Brass, 1985). Women were not well integrated into their network and received disproportionately fewer promotions than men. Women whose immediate work groups included both men and women were exceptions. Brass argues that until women have equal access to informal interactions and communications, they will not be able to develop influence relationships and will be less likely to be upwardly mobile.

Similar findings have been obtained with regard to race. Ibarra (1995) investigated the informal networks of Whites and minority managers in a sample of four Fortune 400 firms. Minority managers had more racially heterogeneous and fewer intimate network relationships. Within the minority group, differences in advancement potential were associated with different network configurations. Those with high potential for advancement balanced same and cross-race contacts and had more contacts outside their own group. Ibarra suggests that this is evidence that a “pluralist strategy” is associated with career advancement for minorities. Minority managers should develop ties to other minorities for support and to learn means of dealing with racial barriers; however, they should also develop ties with Whites in order to have access to power and resources. This strategy contrasts with the “assimilation” argument, which suggests that minorities must “assimilate” and mold themselves to the White culture and White networks in order to advance.

Ragins and Cotton (1993) conducted a survey at Marquette University in Wisconsin in an attempt to understand barriers that women face when creating cross-gender mentoring relationships. Key barriers mentioned were sexual issues and blocked opportunities. Based on these results, Ragins and Cotton offer several pointers for developing effective mentoring programs. They suggest that corporations first must develop a training program for potential protégés and must then develop a training program for potential mentors. Finally, these authors suggest that it is important to increase the opportunities for protégés to meet potential mentors.

In summary, this research strongly suggests that diversity plans at the top of the organization need to include specifications regarding the sponsoring and nurturing of talented individuals. As so aptly stated by Tomaskovic-Dewey in his Federal Glass Ceiling monograph, “Most corporations have formal or informal programs to nurture “stars” or “fast track” managers. These programs need to consciously include minorities and women” (1994: 10).

Heery (1994), however, emphasizes that corporate mentoring should not focus exclusively on women and minorities. The objective should not be to exclude White males, but to include people who were previously locked out. Heery (1994: 18) argues, “discrimination against White males is unacceptable. The greatest dividend of a corporate mentoring program is to attract and retain a diverse pool of high performers” regardless of race or gender.

Thomas (1990: 117) suggests the following litmus test. Human resource professionals should ask themselves the following question, “Does this program, policy, or principle give special consideration to one group? Will it contribute to everyone’s success, or will it only produce an advantage for Blacks or Whites or women or men? Is it designed for *them* as opposed to *us*?” Whenever the answer is yes, the organization is not yet on the road to managing diversity.

Cox & Smolinski (1994) advocate that it is important for organizations to implement mechanisms to assist new employees in becoming socialized to the organization and all employees in developing better relationships with supervisors. An innovator in this area is Monsanto Corporation. Their "JOIN UP" initiative provides facilitated discussion sessions for all employees at the time a new reporting relationship is established. Topics of discussion include clarifying mutual expectations, organizational norms, and possible barriers to success. Other companies such as Firststar Bank in Wisconsin also provide informal counseling through their "Consulting Pairs" initiative (Laabs, 1993). Peers are available on an everyday basis to provide an alternative to human resource professionals for advice and counsel on a variety of workplace issues.

Unresolved Issues:

- Does awareness training, such as dialogue groups and communication training, decrease prejudice, ethnocentrism, and stereotypes?
- Do identity-related support groups have a positive impact on morale among women and minorities?
- What strategies help members of majority groups achieve comfort levels in working with people who are demographically different?
- Which strategies are most effective for identifying potential mentors?
- Which techniques are most effective for motivating potential mentors to accept protégés?
- What factors influence the effectiveness of mentoring?

LINK #4: DIVERSITY AND MARKETING

Description of the Relationship: The selling of goods and services in an increasingly diverse marketplace can be facilitated by a diverse workforce. Being identified as good at managing diversity has public relations value. People may prefer work for an employer recognized for valuing diversity. Consumers may prefer to buy from these same organizations. Sales and customer service may benefit if consumers have an opportunity to interact with effective organizational representatives from their own identity groups.

Importance of the Impact: Markets are becoming just as diverse as the workforce. In the United States, Asians, Blacks, and Hispanics account for nearly \$500 billion annually in consumer spending (Cox, 1993). Immigration is occurring at the rate of more than a million people per year. Therefore, understanding the needs, choices and behavior of cultural groups based on gender, race, and nationality has become key to successful marketing.

Evidence of the Link: Empirical research supports the notion that organizations have much to gain from a positive reputation for diversity management. For example, a study conducted by Wright, Ferris, Hiller and Kroll (1995) investigated the relationship between receiving an award for affirmative action and stock prices. First the authors identified 34 firms that had received awards from the Department of Labor for their affirmative action programs. Then they examined stock prices for these firms following announcement of the receipt of the award. Stock prices significantly increased after the announcement. In a second study, the authors identified publicly traded firms that had an announcement in the Wall Street Journal Index of a major settlement after being found guilty of discrimination and examined stock prices for these firms following release of the announcement. Stock prices significantly decreased after such announcements.

In a third study, Covenant Investment Management rated the performance of the Standard and Poors 500 companies on a series of factors relating to the hiring and advancement of women and non-Whites, compliance with EEOC and other regulatory requirements, and employee litigation. Researchers then compared these ratings to the return on investment in the stocks of the same companies over the most recent five-year period. Their analysis indicated that the return for the companies rated lowest on the glass ceiling-related measures averaged 7.9 percent compared to 18.3 percent for the companies rated highest. Thus the stock market performance of the firms that were high performers on the glass-ceiling-related goals was 2.5 times higher than that of the firms that invested little in glass ceiling-related issues (cf. Cox & Smolinski, 1994).

Firms ranging from media conglomerates such as USA TODAY, to cosmetic companies such as Avon and Maybelline, have gained competitive advantage from insights contributed by employees from various cultural backgrounds. These diverse employees assist their organizations in understanding cultural effects on buying decisions. Investigations of buying behavior suggest that gender, ethnicity, and nationality affect problem identification and the objectives motivating choice in decision situations (Tse, Lee, Vertinsky, & Wehrung, 1988).

A good example of the way in which recognition of cultural differences can pay off is in the automobile industry. In the words of a Miami Toyota dealer:

“What minority consumers respond to most eagerly is a level of respect that too often is missing in their transactions with mainstream businesses. Targeted advertising, bilingual salespeople, and special events all help to break down barriers” (Kotkin, 1987, cited in Cox & Smolinski, 1994).

By integrating cultural awareness into his marketing strategy, this dealer was able to attract 50 percent of the Hispanic market in Miami and sales increased by 400 percent over a six-year period.

A number of public accounts of the best companies for women and minorities have contributed to organizations' reputations for management of diversity. In their recruiting efforts, companies such as Merck, Xerox, Syntex, and Hoffman-LaRoche have been aggressively using publicity they have received in order to boost recruiting efforts. For example, Merck cites its identification as one of the 10 best companies for working mothers as a key cause for increases in applications (Feinstein, 1989; Dreyfuss, 1990).

Why This Relationship Exists: Wright et al. concluded that the favorable market reaction may be “a response to the probability that such firms have better reputations with their diverse customers or are more adaptive to their environments” (1995: 283). They also suggest that the favorable market reaction to announcements of corporations' winning awards “may be a result of investors' realization that the corporations might have lower costs than other companies because they have lower absenteeism, turnover, and job dissatisfaction” (1995: 284).

Barriers to Achieving This Link: Lack of Support for Diversity Initiatives and Resistance from the Majority

In large organizations, it is quite common to have relatively strong public commitments to equal opportunity by top management, but difficulty in implementation (Tomaskovic-Dewey, 1994). Directions from the top must filter down not only through the formal hierarchy and personnel, but also through the informal power structure of the firm. Evidence that this is true has been gathered by Rosen & Lovelace (1991). Conducting a survey with the Society for Human Resource Management, these researchers found that diversity management helped to create a more tolerant corporate culture; however, without backing from top management, diversity programs fell apart.

One counter-argument to increasing the representation of women and minorities in the upper levels of organizations is that doing so will have a negative impact on the majority members of the organization. A second important finding from the Tsui, Eagen and O'Reilly (1992) study cited earlier was that as gender diversity increased in the groups studied, men demonstrated lower levels of psychological attachment, increased absence, and lower intent to stay in the organization. Women did not have these same reactions. Likewise, as racial diversity increased, Whites demonstrated lower psychological attachment, increased absence, and lower intent to stay. Non-Whites did not have these same reactions. One possible interpretation and implication of this research is that members of the majority group (more so than minority-group members) need help in achieving comfort levels in working with people who are demographically different (Cox & Smolinski, 1994).

It should also be noted that other researchers have demonstrated a positive effect of increased female and minority representation for males and majority members. For example, using a large sample of data collected in conjunction with the Quality of Employment Survey, Wharton and Baron (1987) classified organizations as all-male, predominantly male, mixed but segregated, mixed, and predominantly female. Men in female-dominated settings expressed just as much psychological well-being as men in male-dominated settings. Likewise, a survey of the members of the Society for Human Resource Management suggested that reactions to diversity training are overwhelmingly positive, with fewer than 10 respondents (less than 1%) suggesting that increasing diversity had had a negative impact (Rynes & Rosen, 1994). This research indicates that males and majority members often experience positive outcomes when female and minority representation is increased.

Strategies for Enhancing the Relationship: CEO Commitment, Strategic Plans, Special Forums and Councils

CEO commitment. In order to bring individuals through the glass ceiling, human resource professionals must examine how top management will become involved (Harris, 1994). A survey of the members of the Society for Human Resource Management indicated that one of the major ways in which top management indicated strong support for diversity was by linking it with other key strategic priorities (Rynes & Rosen, 1994).

Catalyst, a consulting clearinghouse dedicated to breaking down glass ceiling barriers, offers three suggestions to enhance the link between diversity and marketing effectiveness. First, organizations must demonstrate leadership commitment to improve the retention and advancement of women. Second, organizations must encourage senior management to sponsor action plans directed to employee development. Finally, organizations should use every possible communication channel available to reiterate the top leadership commitment to eliminating barriers to advancement (Catalyst, 1994).

Following extensive research, the Federal Glass Ceiling Commission had this to say about the importance of CEO commitment:

“Eliminating the glass ceiling requires that the CEO communicate visible and continuing commitment to workforce diversity throughout the organization. The Commission recommends that all CEOs and boards of directors set company-wide policies that actively promote diversity programs and policies that remove artificial barriers at every level” (A Solid Investment, 1994: 19).

Furthermore, the Federal Commission suggests that all corporate materials must reflect that diversity is a core value of the organization. This includes statements in annual reports, correspondence from the CEO, employee handbooks, recruiting brochures, newsletters, and video messages for all employees. As a consequence, external audiences such as customers, stockholders, suppliers, and the community at large will believe that diversity is the corporate philosophy.

Strategic planning. Thomas (1990) offers several key steps companies need to take in order to move beyond affirmative action. The reason for moving beyond affirmative action to manage diversity is because affirmative action fails to deal with the root causes of prejudice and inequality and does little to develop the full potential of every individual in the company. To realize satisfactory performance, Thomas argues that companies need to clarify their motivation and vision, expand their focus, audit their corporate culture, modify their assumptions, and modify their systems and models.

Tomaskovic-Dewey (1994) argues that diversity goals need to be incorporated into the business plan, with positive and negative sanctions for line, middle, and division management that correspond to fulfilling the business plan. He suggests the following should go in a diversity plan:

- A self-study of current hiring, promotion, training, and wage practices should be made in order to reveal the barriers to enhancing diversity.
- Findings from the self-study should be used to make adjustments in career ladders, skill training, and wage rates.
- Diversity goals should be set at appropriate levels in the corporation.
- Managers and executives at those levels should be evaluated for meeting diversity goals along with other corporate goals.
- Diversity goal progress should be tied to career advancement for the successful; transfer or decreased responsibility for those who fail to meet goals, and dismissal for those who resist and subvert the process.

Thomas et al. (1994) concur. They argue that managers who are successful at developing the potential of employees should be rewarded. Evaluation of managers should include some aspect of employee career development, and managers and employees should be aware of this aspect of the manager's evaluation. Cox and Smolinski (1994) also emphasize the importance of establishing accountability for follow-up and implementation of change processes related to diversity. For example, Digital Equipment Corporation has established a methodology called "The Diversity Business Planning Process." The process focuses manager attention on setting measurable goals related to diversity within each major business unit. Progress against these goals is assessed as part of the regular business reviews of the company. Areas in which goals are set include representation, organization climate, management practices, and globalization. Measurement tools used to assess progress include same-identity focus groups, employee surveys, employee round tables, forums of senior managers from diverse cultural backgrounds, and human resource data such as representation by organizational level and salary equity.

Once commitment from top management has been secured, and accountability has been established, bench marking can be a useful process (Catalyst, 1994). Bench marking must be tied to strategic objectives and a business case must be made for emulating other companies' best practices. Next, information must be disseminated on goals and expected benefits of the processes that senior management adopts for reforming the organization. Employee feedback on these objectives must be solicited; employees must be kept informed of progress in meeting objectives.

It is also important to communicate to employees why initiatives are being implemented and what individuals and the organization have to gain by participating. The workforce must be trained and educated as to how to implement and disseminate the initiatives. Finally, several studies emphasize that outcomes must be monitored and initiatives must be evaluated (Catalyst, 1994; Torres & Bruxelles, 1992). Organizations must make a concerted effort to measure improvements, track changes, and survey employee and manager perceptions to compare achieved outcomes to desired outcomes.

Councils and forums. Several companies have developed special councils or forums to help take advantage of the creative insights of diverse employees. CIGNA, for example, reports that in order to serve its changing customer base, it sees a compelling need to change its culture, including the composition of its senior management. A symbol of CIGNA's commitment to changing senior management was a glass ceiling forum held last fall in conjunction with the Department of Labor Women's Bureau.

One of the world's largest cosmetic companies, Avon, formed a Multicultural Participation Council that meets regularly to oversee the process of managing diversity. The group includes Avon's CEO and high-level employees throughout the company (Thomas, 1990). In a similar vein, Stroh Breweries has developed a Minority Affairs Council (MAC), which assists the company in translating issues of concern to non-Whites into actionable items for the company. This is part of a deliberate strategy to enhance the image of Stroh with Black and Hispanic consumers, which the company believes will pay off in increased market share (Lawrence, 1988).

In May of 1988, Procter & Gamble formed a Corporate Diversity Strategy Task Force to clarify the concept of diversity, define its importance for the company, and identify strategies for making progress toward successfully managing a diverse workforce. The task force, composed of men and women from every corner of the company, has made two discoveries. First, diversity at Procter & Gamble was far more complex than most people had supposed. In addition to race and gender, it included factors such as cultural heritage, personal background, and functional background. Second, the company needed to expand its view of the value of differences. The task force helped the company to see that learning to manage diversity would be a long-term process of organizational change (Thomas, 1990).

Unresolved Issues:

- Is the level of CEO commitment to diversity management related to organizational effectiveness?
- Does a strategic plan for diversity management increase the degree to which diversity enhances organizational outcomes?
- Does increasing accountability for diversity management increase the degree to which diversity enhances organizational outcomes?
- Does feedback provided by councils and forums contribute to the success of diversity management programs?

FUTURE DIVERSITY RESEARCH: ISSUES AND RECOMMENDATIONS IDENTIFIED IN THE LITERATURE

This review of research and practice uncovered several unresolved issues that direct future diversity research. These issues are both substantive and design-related. Resolving these issues through future research will refine our understanding of the key potential outcomes of diversity: increased retention of women and minorities, effective problem solving and innovation in teams, improved morale and job involvement for women and minorities, and enhanced marketing.

Unresolved Issues Identified

Retention:

- What are the organizational factors in the hiring and promotion process contributing to the exclusion of women and minorities?
- What are the individual factors impeding women and minorities from advancement?
- What are the key strategies for retaining women and minorities?

Problem Solving:

- What aspects of an individual's identity have the most pervasive influence on a diverse team?
- How much time is needed in order to realize the benefits of diversity in teams?
- How can the initial limitations of diversity in teams be effectively counteracted?
- What are the effective strategies for combining information in diverse teams?
- What techniques are most effective in minimizing interpersonal conflict in diverse teams?
- How can balance between heterogeneity and cohesiveness be achieved in new teams?

Morale:

- Does awareness training, such as dialogue groups and communication training, decrease prejudice, ethnocentrism, and stereotypes?
- Do identity-related support groups have a positive impact on morale among women and minorities?
- What strategies help members of majority groups achieve comfort levels in working with people who are demographically different?
- Which strategies are most effective for identifying potential mentors?
- Which techniques are most effective for motivating potential mentors to accept protégés?
- What factors influence the effectiveness of mentoring?

Marketing:

- Is the level of CEO commitment to diversity management related to organizational effectiveness?
- Does a strategic plan for diversity management increase the degree to which diversity enhances organizational outcomes?
- Does increasing accountability for diversity management increase the degree to which diversity enhances organizational outcomes?
- Does feedback provided by councils and forums contribute to the success of diversity management programs?

Research Design Recommendations

In addition to unresolved issues, several suggestions for the design of future research were also uncovered in this review. Recommendations indicate the importance of three different design strategies:

- Longitudinal Panel Design - Individual Level

Tomaskovic-Dewey (1994) recommends investigating the experience of women and minorities as they attempt to obtain employment and advance in their careers. Cox (1995) recommends that researchers develop measures that track specific behavioral patterns associated with specific aspects of respondent cultural identities.

- Longitudinal Panel Design - Organizational Level

Thomas et al. (1994) emphasize the importance of longitudinal organizational research which tracks the impact of diversity initiatives on large samples over time. They also suggest that it is important to include in the sample both organizations that have achieved equal representation of women and minorities, and those that have not. Cox (1995) recommends that researchers assess diversity climate within the same organization at different points in time and across organizations in similar industries in order to investigate the connection between diversity climate and firm financial performance.

- Field Experiment Design

Cox (1995) suggests that we conduct field experiments investigating how diversity can be leveraged to increase innovation and effective team problem solving. Cox and Smolinski (1994) recommend researchers examine the effectiveness of various intervention techniques related to diversity management such as awareness training, mentoring programs, and support groups to determine which are most useful and how they should be implemented to achieve the best results.

PROPOSED RESEARCH PLAN

Phase I: Review and Strategy Formulation

Phase I will be completed upon submission of this report. Findings presented here indicate several unresolved issues and recommendations for future research. The next several pages outline a multi-phase research program that incorporates these findings. It is suggested that this research be longitudinal in nature in order to track potential changes in level of diversity (i.e., representation of women and minorities), diversity climate, diversity management, and organizational outcomes. Ideally, the project will cover a four-year period in order to allow sufficient time to elapse for longer-term impacts to be detected.

Phase II: Longitudinal Survey Research of Diversity Climate and Diversity Outcomes

The objectives of the second phase of the research are to clarify the relationship between diversity climate and organizational outcomes. Beginning in the first year of the program, a survey instrument will be administered to a stratified random sample of individuals within approximately 12 organizations. Because of the sensitivity of the topic, the sample may initially be limited to organizations likely to cooperate and support the initiatives, such as those affiliated with the University of Wisconsin and/or the Wisconsin Manufacturing and Commerce Association (WMC). Attempts will be made to include a variety of industries and job types. Based on the degree of initial success, attempts may be made to include a broader sample of organizations across the United States.

This survey will be re-administered at 6-month intervals over the 4-year period. The survey will contain questions designed to assess diversity-related inputs and organizational outcomes. For example, two key inputs to be measured include: 1) degree of cultural diversity (e.g., minority representation in terms of gender, race and nationality) within managerial positions in the organizations, and 2) diversity climate (extent of minority member integration, degree of intercultural attitudinal awareness, and degree of value congruence between minority members and the organization). Outcomes to be measured include absenteeism, turnover, intent to remain in the organization, group problem solving capacity, intragroup communication effectiveness, innovation, morale, job involvement, market share, and return on investment.

Surveys will be administered to multiple constituencies within the organizations selected. For example, employees at several levels will be asked to describe the diversity climate in the organization. Key administrative personnel will be asked to provide relevant organizational level data (i.e., absenteeism, turnover, innovation, market share, and return on investment). Management teams will be asked to respond to items assessing problem solving capacity, intragroup communication, and team effectiveness. Finally, employees at several levels of the organization will be asked to respond to items assessing intent to stay, morale, and job involvement.

A key administrator representing each organization will first be contacted by a member of the Commission by phone or mail in order to: 1) emphasize the legitimacy, importance, and confidentiality of the research, 2) identify appropriate respondents, and 3) determine the best strategy for obtaining responses to the survey. Two options for administration will be offered. Surveys can be mailed to each respondent in the organization and returned to the researcher by fax or mail, or the survey can be administered on-site such that employees are invited on a given day to complete the survey either before or after a shift or during a break. Regardless of which option is chosen, survey responses will be anonymous. An identification number will be assigned to each respondent in order to maintain confidentiality. Survey responses will then be entered into a data base. Statistical relationships between diversity-related characteristics and organizational outcomes will be examined over time.

Sample propositions to be investigated during this phase include:

Proposition 1: Diversity climates characterized by minority member integration, intercultural attitudinal awareness, and value congruence will be negatively related to absenteeism and turnover for minority members; and positively related to employees' intention to stay in the organization, management team problem solving effectiveness, rate of innovation, employee morale, job involvement, market position, and the firm reputation.

Proposition 2: Diversity climates characterized by prejudice, stereotyping and ethnocentrism will be positively related to absenteeism and turnover for minority members; and negatively related to employees' intention to stay in the organization, management team problem solving effectiveness, rate of innovation, employee morale, and job involvement, market position, and the firm reputation.

Deliverables in Phase II will include a detailed report summarizing the empirical evidence for the link between diversity climate and the multiple indicators of effectiveness. After the report is reviewed by the Commission, the results will be disseminated nationally. For example, papers based on the report will be submitted for presentation at several national conferences and an article describing the study will be submitted for publication in a nationally recognized management journal.

Phase III - Investigating Diversity Management Success and Failure

The third phase of the research will attempt to investigate the underlying mechanisms which facilitate successful management of diversity. Beginning in Year 2, survey responses will be utilized to identify a subset of organizations described by their employees as having the most positive diversity climates (i.e., high minority member integration, intercultural attitudinal awareness, and value congruence). A subset of organizations described as having the least positive diversity climates (i.e., strong prejudice, stereotyping and ethnocentrism) will also be identified.

A random sample of employees within each of these two categories of organizations will then be asked to participate in a structured interview with the researchers. Interviews will assess factors which serve as impediments and facilitators to the management of diversity. Organization and participant confidentiality will be securely maintained (e.g., neither organizations nor participants will be mentioned by name in any report or publications).

Interviews will be tape recorded and transcribed. The interview transcript data base will be analyzed using computer facilitated qualitative data analysis. Responses obtained in the most positive diversity climates will be compared with those obtained in the least positive diversity climates. Underlying themes representing key facilitators and impediments will be identified.

Sample propositions to be tested during this phase include:

Proposition 3: Members of organizations successful at managing diversity will perceive greater work-family balance in their organization than will members of organizations not successful at managing diversity.

Proposition 4: Members of organizations successful at managing diversity will perceive more effective mentoring in their organization than members of organizations not successful at managing diversity.

Proposition 5: Members of organizations successful at managing diversity will perceive more top management team commitment to managing diversity in their organizations than will members of organizations not successful at managing diversity.

Deliverables in Phase III will include a detailed report of the findings with recommendations for successful management of diversity. After being reviewed by the Commission, the results will be disseminated nationally. For example, papers based on the report will be submitted for presentation at several national conferences and an article describing the study will be submitted for publication in a nationally recognized management journal.

Phase IV - Determining the Impact of Diversity Management Programs

The objectives of the fourth phase of the research are to obtain empirical evidence for the relationship between a particular set of strategies for enhancing diversity management and subsequent organizational effectiveness.

The design proposed is a "quasi-experimental" design in which a subset of organizations are observed before, during, and after implementing an intervention. In Year 2 of the study, an intervention will be introduced in a random subset of the organizations involved in the study. The remaining organizations will temporarily serve as "controls." After effectiveness in the two sets of organizations has been tracked for an 18-month period (e.g., at the end of Year 4 of the study), the "control" organizations will also be offered the intervention.

This research design allows comparisons between organizations that did and did not implement diversity management techniques during the 18-month period. The random assignment allows some degree of control over potentially confounding factors that might influence the effectiveness indicators during this period and cloud the impact of the intervention.

The particular set of diversity management strategies to be implemented as an intervention correspond with the researchers' expertise in team management. The intervention will target the improvement of team effectiveness among teams with diverse members in terms of gender, race or nationality. Specifically, diverse teams in the experimental organizations will be provided training in techniques for effective communication and conflict resolution. The training will focus on special issues faced as a result of the diversity in the team. Delivery of the training may involve linking the organizations with outside firms that specialize in diversity management (e.g., consulting firms such as Catalyst).

During Year 3 and 4 of the research, the researchers will then document any changes in the effectiveness indicators as a result of the team diversity training. Effectiveness of the organizations involved in the intervention will be compared to the effectiveness of the organizations not yet involved in the training.

Sample propositions investigated during this phase are as follows:

Proposition 6: Organizations implementing training for diverse teams will demonstrate more effective team problem solving and greater innovativeness than organizations that do not implement team diversity training.

Proposition 7: Diverse teams that participate in diversity communication training will exhibit greater information exchange and integration than teams that do not participate in training.

Proposition 8: Diverse teams that participate in conflict resolution diversity training will exhibit higher levels of collaboration and cohesiveness than teams that do not participate in training.

Deliverables in Phase IV will include a detailed report of the findings with recommendations for future interventions designed to increase the effectiveness of diverse teams. After being reviewed by the Commission, the results will be disseminated nationally. For example, papers based on the report will be submitted for presentation at several national conferences and an article describing the study will be submitted for publication in a nationally recognized management journal.

CONTRIBUTIONS

The magnitude of cultural diversity in the workforce in terms of gender, race, and nationality will continue to increase throughout the 1990s. Currently available statistics indicate that there is a severe imbalance in the representation of cultural minorities in upper management. Existing research indicates that this imbalance is due to several key processes occurring in organizations, yet these processes have yet to be examined in great detail. The research outlined in this proposal will help to explain these processes. Preliminary evidence would suggest that a better understanding of the processes brings significant rewards to both individual members and the organizations which employ them.

Furthermore, research has shown that diversity can either enhance or hinder organizational outcomes. The core “puzzle” of diversity research is to discover under what conditions one may capitalize on the potential benefits of diversity while minimizing the potential for diversity-related phenomena to adversely affect performance (Cox, 1995).

Finally, since diversity of the work force is growing throughout the world, the costs of *not* managing diversity will escalate greatly in the coming years. Organizations that do not make appropriate changes to more successfully retain and utilize persons from all cultural backgrounds can expect to suffer a significant competitive disadvantage compared to those that do.

Alternatively, organizations that are able to create a climate where all personnel have equal opportunity and motivation to contribute should gain a competitive advantage. The latter phases of this research will help to clearly delineate the changes that need to be made in order to manage diversity successfully and realize this potential. Findings will help to develop a range of initiatives that work to eliminate cultural, structural, and attitudinal biases that exist in the workplace.

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APPENDIX I

LITERATURES SEARCHED

Professional Literature

Harvard Business Review
Sloan Management Review
Columbia Journal of World Business
California Management Review
HR Magazine
HR Focus
HR Professional
Human Relations
Journal of Management Studies
Wall Street Journal
New York Times

Academic Literature

Academy of Management Journal
Academy of Management Review
Administrative Science Quarterly
Journal of Applied Psychology
Journal of International Business Studies
Journal of Management
Organizational Behavior & Human Decision Processes
Organization Science
Strategic Management Journal
Journal of Cross-Cultural Psychology
Annual Sociological Review
American Journal of Sociology