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## Chapter 2

# Managing Demographic and Cultural Diversity

### LEARNING OBJECTIVES

After reading this chapter, you should be able to do the following:

1. Understand what constitutes diversity.
2. Explain the benefits of managing diversity.
3. Describe challenges of managing a workforce with diverse demographics.
4. Describe the challenges of managing a multicultural workforce.
5. Understand diversity and ethics.
6. Understand cross-cultural issues regarding diversity.

Around the world, the workforce is becoming diverse. In 2007, women constituted 46% of the workforce in the United States. In the same year, 11% of the workforce was African American, 14% were of Hispanic origin, and 5% were Asian. Bureau of Labor Statistics. (2007). *Employed persons by detailed occupation, gender, race, and Hispanic or Latino ethnicity*. Retrieved November 4, 2008, from the Bureau of Labor Statistics Web site: <ftp://ftp.bls.gov/pub/special.requests/lf/aat11.txt>. Employees continue to work beyond retirement, introducing age diversity to the workforce. Regardless of your gender, race, and age, it seems that you will need to work with, communicate with, and understand people different from you at school as well as at work. Understanding cultures different from your own is also becoming increasingly important due to the globalization of business. In the United States, 16% of domestic employees were foreign born, indicating that even those of us who are not directly involved in international business may benefit from developing an appreciation for the differences and similarities between cultures. Bureau of Labor Statistics. (2007). *Labor force characteristics of foreign-born workers*. Retrieved November 4, 2008, from the Bureau of Labor Statistics Web site: <http://www.bls.gov/news.release/forbrn.nr0.htm>. In this chapter, we will examine particular benefits and challenges of managing a diverse workforce and discuss ways in which you can increase your effectiveness when working with diversity.

As we discuss differing environments faced by employees with different demographic traits, we primarily concentrate on the legal environment in the

United States. Please note that the way in which demographic diversity is treated legally and socially varies around the globe. For example, countries such as Canada and the United Kingdom have their own versions of equal employment legislation. Moreover, how women, employees of different races, older employees, employees with disabilities, and employees of different religions are viewed and treated shows much variation based on the societal context.

## **2.1 Doing Good as a Core Business Strategy: The Case of Goodwill Industries**

Figure 2.1



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Goodwill Industries International has been an advocate of diversity for over 100 years. In 1902, in Boston, Massachusetts, a young missionary set up a small operation enlisting struggling immigrants in his parish to clean and repair clothing and goods to later sell. This provided workers with the opportunity for basic education and language training. His philosophy was to provide a “hand up,” not a “hand out.” Although today you can find retail stores in over 2,300 locations worldwide, and in 2009 more than 64 million people in the United States and Canada donated to Goodwill, the organization has maintained its core mission to respect the dignity of individuals by eliminating barriers to opportunity through the power of work. Goodwill accomplishes this goal, in part, by putting 84% of its revenue back into programs to provide employment, which in 2008 amounted to \$3.23 billion. As a result of these programs, every 42 seconds of every business day, someone gets a job and is one step closer to achieving economic stability.

Goodwill is a pioneer of social enterprise and has managed to build a culture of respect through its diversity programs. If you walk into a local Goodwill retail store you are likely to see employees from all walks of life, including differences in gender and race, physical ability, sexual orientation, and age. Goodwill provides employment opportunities for individuals with disabilities, lack of education, or lack of job experience. The company has created programs for individuals with criminal backgrounds who might otherwise be unable to find employment, including basic work skill development, job placement assistance, and life skills. In 2008, more than 172,000 people obtained employment, earning \$2.3 billion in wages and gaining tools to be productive members of their community. Goodwill has established diversity as an organizational norm, and as a result, employees are comfortable addressing issues of stereotyping and discrimination. In an organization of individuals with such wide-ranging backgrounds, it is not surprising that there are a wide range of values and beliefs.

Management and operations are decentralized within the organization with 166 independent community-based Goodwill stores. These regional businesses are independent, not-for-profit human services organizations. Despite its decentralization, the company has managed to maintain its core values. Seattle’s Goodwill is focused

on helping the city's large immigrant population and those individuals without basic education and English language skills. And at Goodwill Industries of Kentucky, the organization recently invested in custom software to balance daily sales at stores to streamline operations so managers can spend less time on paperwork and more time managing employees.

Part of Goodwill's success over the years can be attributed to its ability to innovate. As technology evolves and such skills became necessary for most jobs, Goodwill has developed training programs to ensure that individuals are fully equipped to be productive members of the workforce, and in 2008 Goodwill was able to provide 1.5 million people with career services. As an organization, Goodwill itself has entered into the digital age. You can now find Goodwill on Facebook, Twitter, and YouTube. Goodwill's business practices encompass the values of the triple bottom line of people, planet, and profit. The organization is taking advantage of new green initiatives and pursuing opportunities for sustainability. For example, at the beginning of 2010, Goodwill received a \$7.3 million grant from the U.S. Department of Labor, which will provide funds to prepare individuals to enter the rapidly growing green industry of their choice. Oregon's Goodwill Industries has partnered with the Oregon Department of Environmental Quality and its Oregon E-Cycles program to prevent the improper disposal of electronics. Goodwill discovered long ago that diversity is an advantage rather than a hindrance.

Case written by [citation redacted per publisher request]. Based on information from Goodwill Industries of North Central Wisconsin. (2009). A brief history of Goodwill Industries International. Retrieved March 3, 2010, from <http://www.goodwillncw.org/goodwillhistory1.htm>; Walker, R. (2008, November 2). Consumed: Goodwill hunting. *New York Times Magazine*, p. 18; Tabafunda, J. (2008, July 26). After 85 years, Seattle Goodwill continues to improve lives. *Northwest Asian Weekly*. Retrieved March 1, 2010, from <http://www.nwasianweekly.com/old/2008270031/goodwill20082731.htm>; Slack, E. (2009). Selling hope. *Retail Merchandiser*, 49(1), 89–91; Castillo, L. (2009, February 24). Goodwill Industries offers employment programs. *Clovis News Journal*. Retrieved April 22, 2010, from <http://www.cnjonline.com/news/industries-32474-goodwill-duttweiler.html>; Information retrieved April 22, 2010, from the Oregon E-Cycles Web site: <http://www.deq.state.or.us/lq/ecycle>.

### DISCUSSION QUESTIONS

1. What are Goodwill's competitive advantages?
2. Goodwill has found success in the social services. What problems might result from hiring and training the diverse populations that Goodwill is involved with?
3. Have you ever experienced problems with discrimination in a work or school setting?
4. Why do you think that Goodwill believes it necessary to continually innovate?

## 2.2 Demographic Diversity

### LEARNING OBJECTIVES

1. Explain the benefits of managing diversity effectively.
2. Explain the challenges of diversity management.
3. Describe the unique environment facing employees with specific traits such as gender, race, religion, physical disabilities, age, and sexual orientation.

**Diversity**<sup>1</sup> refers to the ways in which people are similar or different from each other. It may be defined by any characteristic that varies within a particular work unit such as gender, race, age, education, tenure, or functional background (such as being an engineer versus being an accountant). Even though diversity may occur with respect to any characteristic, our focus will be on diversity with respect to demographic, relatively stable, and visible characteristics: specifically gender, race, age, religion, physical abilities, and sexual orientation. Understanding how these characteristics shape organizational behavior is important. While many organizations publicly rave about the benefits of diversity, many find it challenging to manage diversity effectively. This is evidenced by the number of complaints filed with the Equal Employment Opportunity Commission (EEOC) regarding discrimination. In the United States, the Age Discrimination Act of 1975 and Title VII of the Civil Rights Act of 1964 outlaw discrimination based on age, gender, race, national origin, or religion. The 1990 Americans with Disabilities Act prohibits discrimination of otherwise capable employees based on physical or mental disabilities. In 2008, over 95,000 individuals filed a complaint claiming that they were discriminated based on these protected characteristics. Of course, this number represents only the most extreme instances in which victims must have received visibly discriminatory treatment to justify filing a complaint. It is reasonable to assume that many instances of discrimination go unreported because they are more subtle and employees may not even be aware of inconsistencies such as pay discrimination. Before the passing of antidiscrimination laws in the United States, many forms of discrimination were socially acceptable. This acceptance of certain discrimination practices is more likely to be seen in countries without similar employment laws. It seems that there is room for improvement when it comes to benefiting from diversity, understanding its pitfalls, and creating a work environment where people feel appreciated for their contributions regardless of who they are.

1. The ways in which people are similar or different from each other.

## Benefits of Diversity

What is the business case for diversity? Having a diverse workforce and managing it effectively have the potential to bring about a number of benefits to organizations.

### Higher Creativity in Decision Making

An important potential benefit of having a diverse workforce is the ability to make higher quality decisions. In a diverse work team, people will have different opinions and perspectives. In these teams, individuals are more likely to consider more alternatives and think outside the box when making decisions. When thinking about a problem, team members may identify novel solutions. Research shows that diverse teams tend to make higher quality decisions. McLeod, P., Lobel, S., & Cox, T. H. (1996). Ethnic diversity and creativity in small groups. *Small Group Research*, 27, 248–264. Therefore, having a diverse workforce may have a direct impact on a company's bottom line by increasing creativity in decision making.

Figure 2.2



Research shows that diverse teams tend to make higher quality decisions.

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### Better Understanding and Service of Customers

A company with a diverse workforce may create products or services that appeal to a broader customer base. For example, PepsiCo Inc. planned and executed a successful diversification effort in the recent past. The company was able to increase the percentage of women and ethnic minorities in many levels of the company, including management. The company points out that in 2004, about 1% of the company's 8% revenue growth came from products that were inspired by the diversity efforts, such as guacamole-flavored Doritos chips and wasabi-flavored snacks. Similarly, Harley-Davidson Motor Company is pursuing diversification of employees at all levels because the company realizes that they need to reach beyond their traditional customer group to stay competitive. Hymowitz, C. (2005, November 14). The new diversity: In a global economy, it's no longer about how many employees you have in this group and that group; It's a lot more complicated—and if you do it right, a lot more effective. *Wall Street Journal*, p. R1. Wal-Mart Stores Inc. heavily advertises in Hispanic neighborhoods between Christmas and The Epiphany because the company understands that Hispanics tend to exchange gifts on that day as well. Slater, S. F., Weigand, R. A., & Zwirlein, T. J. (2008). The business case for commitment to diversity. *Business Horizons*, 51, 201–209. A company with a diverse workforce may understand the needs of particular groups

of customers better, and customers may feel more at ease when they are dealing with a company that understands their needs.

### **More Satisfied Workforce**

When employees feel that they are fairly treated, they tend to be more satisfied. On the other hand, when employees perceive that they are being discriminated against, they tend to be less attached to the company, less satisfied with their jobs, and experience more stress at work. Sanchez, J. I., & Brock, P. (1996). Outcomes of perceived discrimination among Hispanic employees: Is diversity management a luxury or necessity? *Academy of Management Journal*, 39, 704–719. Organizations where employees are satisfied often have lower turnover.

### **Higher Stock Prices**

Companies that do a better job of managing a diverse workforce are often rewarded in the stock market, indicating that investors use this information to judge how well a company is being managed. For example, companies that receive an award from the U.S. Department of Labor for their diversity management programs show increases in the stock price in the days following the announcement. Conversely, companies that announce settlements for discrimination lawsuits often show a decline in stock prices afterward. Wright, P., Ferris, S. P., Hiller, J. S., & Kroll, M. (1995). Competitiveness through management of diversity: Effects on stock price valuation. *Academy of Management Journal*, 30, 272–287.

### **Lower Litigation Expenses**

Companies doing a particularly bad job in diversity management face costly litigations. When an employee or a group of employees feel that the company is violating EEOC laws, they may file a complaint. The EEOC acts as a mediator between the company and the person, and the company may choose to settle the case outside the court. If no settlement is reached, the EEOC may sue the company on behalf of the complainant or may provide the injured party with a right-to-sue letter. Regardless of the outcome, these lawsuits are expensive and include attorney fees as well as the cost of the settlement or judgment, which may reach millions of dollars. The resulting poor publicity also has a cost to the company. For example, in 1999, the Coca-Cola Company faced a race discrimination lawsuit claiming that the company discriminated against African Americans in promotions. The company settled for a record \$192.5 million. Lovel, J. (2003, May 2). Race discrimination suit targets Coke bottler CCE. *Atlanta Business Chronicle*. Retrieved January 29, 2009, from <http://atlanta.bizjournals.com/atlanta/stories/2003/05/05/story1.html>. In 2004, the clothing retailer Abercrombie & Fitch faced a race discrimination lawsuit that led to a \$40 million settlement and over \$7 million in legal fees. The company had

constructed a primarily Caucasian image and was accused of discriminating against Hispanic and African American job candidates, steering these applicants to jobs in the back of the store. As part of the settlement, the company agreed to diversify its workforce and catalog, change its image to promote diversity, and stop recruiting employees primarily from college fraternities and sororities. Greenhouse, S. (2004, November 17). Abercrombie & Fitch bias case is settled. *New York Times*. Retrieved January 29, 2009, from <http://www.nytimes.com/2004/11/17/national/17settle.html>. In 2007, the new African American district attorney of New Orleans, Eddie Jordan, was accused of firing 35 Caucasian employees and replacing them with African American employees. In the resulting reverse-discrimination lawsuit, the office was found liable for \$3.7 million, leading Jordan to step down from his office in the hopes of preventing the assets of the office from being seized. After \$3.7 million reverse discrimination lawsuit, the New Orleans district attorney resigns. (2007, October 31). *DiversityInc Magazine*. Retrieved November 18, 2008, from <http://www.diversityinc.com/public/2668.cfm>. As you can see, effective management of diversity can lead to big cost savings by decreasing the probability of facing costly and embarrassing lawsuits.

### Higher Company Performance

As a result of all these potential benefits, companies that manage diversity more effectively tend to outperform others. Research shows that in companies pursuing a growth strategy, there was a positive relationship between racial diversity of the company and firm performance. Richard, O. C. (2000). Racial diversity, business strategy, and firm performance: A resource-based view. *Academy of Management Journal*, 43, 164–177. Companies ranked in the Diversity 50 list created by *DiversityInc* magazine performed better than their counterparts. Slater, S. F., Weigand, R. A., & Zwirlein, T. J. (2008). The business case for commitment to diversity. *Business Horizons*, 51, 201–209. And, in a survey of 500 large companies, those with the largest percentage of female executives performed better than those with the smallest percentage of female executives. Weisul, K. (2004, January 28). The bottom line on women at the top. *Business Week Online*. Retrieved November 14, 2008, from <http://www.businessweek.com/>.

### Challenges of Diversity

If managing diversity effectively has the potential to increase company performance, increase creativity, and create a more satisfied workforce, why aren't all companies doing a better job of encouraging diversity? Despite all the potential advantages, there are also a number of challenges associated with increased levels of diversity in the workforce.

### Similarity-Attraction Phenomenon

One of the commonly observed phenomena in human interactions is the tendency for individuals to be attracted to similar individuals. Riordan, C. M., & Shore, L. M. (1997). Demographic diversity and employee attitudes: An empirical examination of relational demography within work units. *Journal of Applied Psychology*, 82, 342–358. Research shows that individuals communicate less frequently with those who are perceived as different from themselves. Chatman, J. A., Polzer, J. T., Barsade, S. G., & Neale, M. A. (1998). Being different yet feeling similar: The influence of demographic composition and organizational culture on work processes and outcomes. *Administrative Science Quarterly*, 43, 749–780. They are also more likely to experience emotional conflict with people who differ with respect to race, age, and gender. Jehn, K. A., Northcraft, G. B., & Neale, M. A. (1999). Why differences make a difference: A field study of diversity, conflict, and performance in workgroups. *Administrative Science Quarterly*, 44, 741–763; Pelled, L. H., Eisenhardt, K. M., & Xin, K. R. (1999). Exploring the black box: An analysis of work group diversity, conflict, and performance. *Administrative Science Quarterly*, 44, 1–28. Individuals who are different from their team members are more likely to report perceptions of unfairness and feel that their contributions are ignored. Price, K. H., Harrison, D. A., & Gavin, J. H. (2006). Withholding inputs in team contexts: Member composition, interaction processes, evaluation structure, and social loafing. *Journal of Applied Psychology*, 91, 1375–1384.

The **similarity-attraction phenomenon**<sup>2</sup> may explain some of the potentially unfair treatment based on demographic traits. If a hiring manager chooses someone who is racially similar over a more qualified candidate from a different race, the decision will be ineffective and unfair. In other words, similarity-attraction may prevent some highly qualified women, minorities, or persons with disabilities from being hired. Of course, the same tendency may prevent highly qualified Caucasian and male candidates from being hired as well, but given that Caucasian males are more likely to hold powerful management positions in today's U.S.-based organizations, similarity-attraction may affect women and minorities to a greater extent. Even when candidates from minority or underrepresented groups are hired, they may receive different treatment within the organization. For example, research shows that one way in which employees may get ahead within organizations is through being mentored by a knowledgeable and powerful mentor. Yet, when the company does not have a formal mentoring program in which people are assigned a specific mentor, people are more likely to develop a mentoring relationship with someone who is similar to them in demographic traits. Dreher, G. F., & Cox, T. H. (1996). Race, gender and opportunity: A study of compensation attainment and the establishment of mentoring relationships. *Journal of Applied Psychology*, 81, 297–308. This means that those who are not selected as protégés will not be able to benefit from the support and advice that would further their careers. Similarity-attraction may even affect the treatment people receive daily. If the

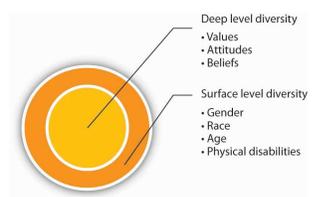
2. The tendency to be more attracted to individuals who are similar to us.

company CEO constantly invites a male employee to play golf with him while a female employee never receives the invitation, the male employee may have a serious advantage when important decisions are made.

Why are we more attracted to those who share our demographic attributes? Demographic traits are part of what makes up **surface-level diversity**<sup>3</sup>. Surface-level diversity includes traits that are highly visible to us and those around us, such as race, gender, and age. Researchers believe that people pay attention to surface diversity because they are assumed to be related to **deep-level diversity**<sup>4</sup>, which includes values, beliefs, and attitudes. We want to interact with those who share our values and attitudes, but when we meet people for the first time, we have no way of knowing whether they share similar values. As a result, we tend to use surface-level diversity to make judgments about deep-level diversity. Research shows that surface-level traits affect our interactions with other people early in our acquaintance with them, but as we get to know people, the influence of surface-level traits is replaced by deep-level traits such as similarity in values and attitudes. Harrison, D. A., Price, K. H., Gavin, J. H., & Florey, A. T. (2002). Time, teams, and task performance: Changing effects of surface- and deep-level diversity on group functioning. *Academy of Management Journal*, 45, 1029–1045. Age, race, and gender dissimilarity are also stronger predictors of employee turnover during the first few weeks or months within a company. It seems that people who are different from others may feel isolated during their early tenure when they are dissimilar to the rest of the team, but these effects tend to disappear as people stay longer and get to know other employees.

As you may see, while similarity-attraction may put some employees at a disadvantage, it is a tendency that can be managed by organizations. By paying attention to employees early in their tenure, having formal mentoring programs in which people are assigned mentors, and training managers to be aware of the similarity-attraction tendency, organizations can go a long way in dealing with potential diversity challenges.

Figure 2.3



Individuals often initially judge others based on surface-level diversity. Over time, this effect tends to fade and is replaced by deep-level traits such as similarity in values and attitudes.

### Faultlines

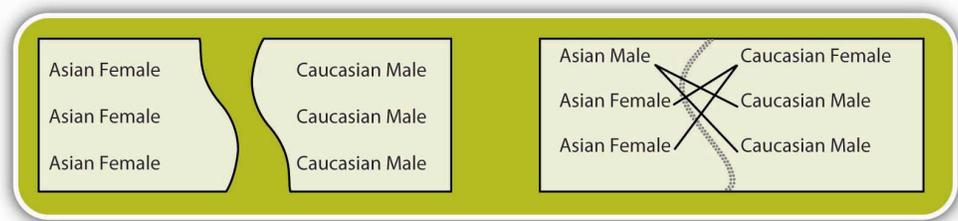
- 3. Traits that are highly visible to us and those around us, such as race, gender, and age.
- 4. Diversity in values, beliefs, and attitudes.
- 5. An attribute along which a group is split into subgroups.

A **faultline**<sup>5</sup> is an attribute along which a group is split into subgroups. For example, in a group with three female and three male members, gender may act as a faultline because the female members may see themselves as separate from the male members. Now imagine that the female members of the same team are all over 50 years old and the male members are all

younger than 25. In this case, age and gender combine to further divide the group into two subgroups. Teams that are divided by faultlines experience a number of difficulties. For example, members of the different subgroups may avoid communicating with each other, reducing the overall cohesiveness of the team. Research shows that these types of teams make less effective decisions and are less creative. Pearsall, M. J., Ellis, A. P. J., & Evans, J. M. (2008). Unlocking the effects of gender faultlines on team creativity: Is activation the key? *Journal of Applied Psychology*, 93, 225–234; Sawyer, J. E., Houlette, M. A., & Yeagley, E. L. (2006). Decision performance and diversity structure: Comparing faultlines in convergent, crosscut, and racially homogeneous groups. *Organizational Behavior and Human Decision Processes*, 99, 1–15. Faultlines are more likely to emerge in diverse teams, but not all diverse teams have faultlines. Going back to our example, if the team has three male and three female members, but if two of the female members are older and one of the male members is also older, then the composition of the team will have much different effects on the team’s processes. In this case, age could be a bridging characteristic that brings together people divided across gender.

Research shows that even groups that have strong faultlines can perform well if they establish certain norms. When members of subgroups debate the decision topic among themselves before having a general group discussion, there seems to be less communication during the meeting on pros and cons of different alternatives. Having a norm stating that members should not discuss the issue under consideration before the actual meeting may be useful in increasing decision effectiveness. Sawyer, J. E., Houlette, M. A., & Yeagley, E. L. (2006). Decision performance and diversity structure: Comparing faultlines in convergent, crosscut, and racially homogeneous groups. *Organizational Behavior and Human Decision Processes*, 99, 1–15.

Figure 2.4



The group on the left will likely suffer a strong faultline due to the lack of common ground. The group to the right will likely only suffer a weak faultline because the men and women of the different groups will likely identify with each other.

## Stereotypes

An important challenge of managing a diverse workforce is the possibility that stereotypes about different groups could lead to unfair decision making. **Stereotypes**<sup>6</sup> are generalizations about a particular group of people. The assumption that women are more relationship oriented, while men are more assertive, is an example of a stereotype. The problem with stereotypes is that people often use them to make decisions about a particular individual without actually verifying whether the assumption holds for the person in question. As a result, stereotypes often lead to unfair and inaccurate decision making. For example, a hiring manager holding the stereotype mentioned above may prefer a male candidate for a management position over a well-qualified female candidate. The assumption would be that management positions require assertiveness and the male candidate would be more assertive than the female candidate. Being aware of these stereotypes is the first step to preventing them from affecting decision making.

## Specific Diversity Issues

Different demographic groups face unique work environments and varying challenges in the workplace. In this section, we will review the particular challenges associated with managing gender, race, religion, physical ability, and sexual orientation diversity in the workplace.

### Gender Diversity in the Workplace

In the United States, two important pieces of legislation prohibit gender discrimination at work. The Equal Pay Act (1963) prohibits discrimination in pay based on gender. Title VII of the Civil Rights Act (1964) prohibits discrimination in all employment-related decisions based on gender. Despite the existence of strong legislation, women and men often face different treatment at work. The earnings gap and the glass ceiling are two of the key problems women may experience in the workplace.

### Earnings Gap

An often publicized issue women face at work is the earnings gap. The median earnings of women who worked full time in 2008 was 79% of men working full time. Bureau of Labor Statistics. (2008). *Usual weekly earnings*. Retrieved November 4, 2008, from the Bureau of Labor Statistics Web site: <http://www.bls.gov/news.release/wkyeng.nr0.htm>. There are many potential explanations for the earnings gap that is often reported in the popular media. One explanation is that women are more likely to have gaps in their résumés because they are more likely

6. Generalizations about a particular group of people.

to take time off to have children. Women are still the primary caregiver for young children in many families and career gaps tend to affect earnings potential because it prevents employees from accumulating job tenure. Another potential explanation is that women are less likely to pursue high-paying occupations such as engineering and business.

In fact, research shows that men and women have somewhat different preferences in job attributes, with women valuing characteristics such as good hours, an easy commute, interpersonal relationships, helping others, and opportunities to make friends more than men do. In turn, men seem to value promotion opportunities, freedom, challenge, leadership, and power more than women do. Konrad, A. M., Ritchie, J. E., Lieb, P., & Corrigan, E. (2000). Sex differences and similarities in job attribute preferences: A meta-analysis. *Psychological Bulletin*, 126, 593–641. These differences are relatively small, but they could explain some of the earnings gap. Finally, negotiation differences among women are often cited as a potential reason for the earnings gap. In general, women are less likely to initiate negotiations. Babcock, L., & Laschever, S. (2003). *Women don't ask*. Princeton, NJ: Princeton University Press. Moreover, when they actually negotiate, they achieve less favorable outcomes compared to men. Stuhlmacher, A. F., & Walters, A. E. (1999). Gender differences in negotiation outcome: A meta-analysis. *Personnel Psychology*, 52, 653–677. Laboratory studies show that female candidates who negotiated were more likely to be penalized for their attempts to negotiate and male evaluators expressed an unwillingness to work with a female who negotiated. Bowles, H. R., & Babcock, L., & Lai, L. (2007). Social incentives for gender differences in the propensity to initiate negotiations: Sometimes it does hurt to ask. *Organizational Behavior and Human Decision Processes*, 103, 84–103. The differences in the tendency to negotiate and success in negotiating are important factors contributing to the earnings gap. According to one estimate, as much as 34% of the differences between women's and men's pay can be explained by their starting salaries. Gerhart, B. (1990). Gender differences in current and starting salaries: The role of performance, college major, and job title. *Industrial & Labor Relations Review*, 43, 418–434. When differences in negotiation skills or tendencies affect starting salaries, they tend to have a large impact over the course of years.

If the earnings gap could be traced only to résumé gaps, choice of different occupations, or differences in negotiation behavior, the salary difference might be viewed as legitimate. Yet, these factors fail to completely account for gender differences in pay, and lawsuits about gender discrimination in pay abound. In these lawsuits, stereotypes or prejudices about women seem to be the main culprit. In fact, according to a Gallup poll, women are over 12 times more likely than men to perceive gender-based discrimination in the workplace. Avery, D. R., McKay, P. F., & Wilson, D. C. (2008). What are the odds? How demographic similarity affects prevalence of perceived employment discrimination. *Journal of Applied Psychology*, 93,

235–249. For example, Wal-Mart Stores Inc. was recently sued for alleged gender-discrimination in pay. One of the people who initiated the lawsuit was a female assistant manager who found out that a male assistant manager with similar qualifications was making \$10,000 more per year. When she approached the store manager, she was told that the male manager had a “wife and kids to support.” She was then asked to submit a household budget to justify a raise. Daniels, C. (2003, July 21). Women vs. Wal-Mart. *Fortune*, 148, 78–82. Such explicit discrimination, while less frequent, contributes to creating an unfair work environment.

### Glass Ceiling

Another issue that provides a challenge for women in the workforce is the so-called **glass ceiling**<sup>7</sup>. While women may be represented in lower level positions, they are less likely to be seen in higher management and executive suites of companies. In fact, while women constitute close to one-half of the workforce, men are four times more likely to reach the highest levels of organizations. Umphress, E. E., Simmons, A. L., Boswell, W. R., & Triana, M. C. (2008). Managing discrimination in selection: The influence of directives from an authority and social dominance. *Journal of Applied Psychology*, 93, 982–993. In 2008, only 12 of the *Fortune* 500 companies had female CEOs, including Xerox Corporation, PepsiCo, Kraft Foods Inc., and Avon Products Inc. The absence of women in leadership is unfortunate, particularly in light of studies that show the leadership performance of female leaders is comparable to, and in some dimensions such as transformational or change-oriented leadership, superior to, the performance of male leaders. Eagly, A. H., Karau S. J., & Makhijani, M. G. (1995). Gender and effectiveness of leaders: A meta-analysis. *Psychological Bulletin*, 117, 125–145; Eagly, A. H., Johannesen-Schmidt, M. C., & Van Engen, M. L. (2003). *Psychological Bulletin*, 129, 569–591.

7. The situation that some qualified employees are prevented from advancing to higher level positions due to factors such as discrimination. Glass ceiling is often encountered by women and minorities.

One explanation for the glass ceiling is the gender-based stereotypes favoring men in managerial positions. Traditionally, men have been viewed as more assertive and confident than women, while women have been viewed as more passive and submissive. Studies show that these particular stereotypes are still prevalent among male college students, which may mean that these stereotypes may be perpetuated among the next generation of managers. Duehr, E. E., & Bono, J. E. (2006). Men, women and managers: Are stereotypes finally changing? *Personnel Psychology*, 59, 815–846. Assumptions such as these are problematic for women's advancement because stereotypes associated with men are characteristics often associated with being a manager. Stereotypes are also found to influence how managers view male versus female employees' work accomplishments. For example, when men and women work together in a team on a "masculine" task such as working on an investment portfolio and it is not clear to management which member has done what, managers are more likely to attribute the team's success to the male employees and give less credit to the female employees. Heilman, M. E., & Haynes, M. C. (2005). No credit where credit is due: Attributional rationalization of women's success in male-female teams. *Journal of Applied Psychology*, 90, 905–916. It seems that in addition to working hard and contributing to the team, female employees should pay extra attention to ensure that their contributions are known to decision makers.

There are many organizations making the effort to make work environments more welcoming to men and women. For example, IBM is reaching out to female middle school students to get them interested in science, hoping to increase female presence in the field of engineering. Thomas, D. A. (2004). Diversity as strategy. *Harvard Business Review*, 82, 98–108. Companies such as IBM, Booz Allen Hamilton Inc., Ernst & Young Global Ltd., and General Mills Inc. top the 100 Best Companies list created by *Working Mother* magazine by providing flexible work arrangements to balance work and family demands. In addition, these companies provide employees of both sexes with learning, development, and networking opportunities. 2007 100 Best companies. (2007). Retrieved November 4, 2008, from the *Working Mother* Web site: <http://www.workingmother.com/?service=vpage/859>.

Figure 2.5



Ursula Burns became president of Xerox Corporation in 2007. She is responsible for the company's global R&D, engineering, manufacturing, and marketing.

Used by permission of Xerox Corporation.

### Race Diversity in the Workplace

Race is another demographic characteristic that is under legal protection in the United States. Title VII of the Civil Rights Act (1964) prohibits race discrimination in all employment-related decisions. Yet race discrimination still exists in organizations. In a Korn-Ferry/Columbia University study of 280 minority managers earning more than \$100,000, 60% of the respondents reported that they had seen discrimination in their work assignments and 45% have been the target of racial or cultural jokes. The fact that such discrimination exists even at higher levels in organizations is noteworthy. Allers, K. L. (2005). Won't it be grand when we don't need diversity lists? *Fortune*, 152(4), 101; Mehta, S. N., Chen, C. Y., Garcia, F., & Vella-Zarb, K. (2000). What minority employees really want. *Fortune*, 142(2), 180–184. In a different study of over 5,500 workers, only 32% reported that their company did a good job hiring and promoting minorities. Fisher, A. (2004). How you can do better on diversity. *Fortune*, 150(10), 60. One estimate suggests that when compared to Caucasian employees, African Americans are four times more likely and Hispanics are three times more likely to experience discrimination. Avery, D. R., McKay, P. F., Wilson, D. C., & Tonidandel, S. (2007). Unequal attendance: The relationships between race, organizational diversity cues, and absenteeism. *Personnel Psychology*, 60, 875–902.

Ethnic minorities experience both an earnings gap and a glass ceiling. In 2008, for every dollar a Caucasian male employee made, African American males made around 79 cents while Hispanic employees made 64 cents. Bureau of Labor Statistics. (2008). *Usual weekly earnings summary*. Retrieved November 4, 2008, from the Bureau of Labor Statistics Web site: <http://www.bls.gov/news.release/wkyeng.nr0.htm>. Among *Fortune* 500 companies, only three (American Express Company, Aetna Inc., and Darden Restaurants Inc.) have African American CEOs. It is interesting that while ethnic minorities face these challenges, the demographic trends are such that by 2042, Caucasians are estimated to constitute less than one-half of the population in the United States. This demographic shift has already taken place in some parts of the United States such as the Los Angeles area where only 30% of the population is Caucasian. Dougherty, C. (2008, August 14). Whites to lose majority status in US by 2042. *Wall Street Journal*, p. A3.

Unfortunately, discrimination against ethnic minorities still occurs. One study conducted by Harvard University researchers found that when Chicago-area companies were sent fictitious résumés containing identical background information, résumés with “Caucasian” sounding names (such as Emily and Greg) were more likely to get callbacks compared to résumés with African American sounding names (such as Jamal and Lakisha). Bertrand, M., & Mullainathan, S. (2004). Are Emily and Greg more employable than Lakisha and Jamal? A field experiment on labor market discrimination. *American Economic Review*, 94, 991–1013.

Studies indicate that ethnic minorities are less likely to experience a satisfying work environment. One study found that African Americans were more likely to be absent from work compared to Caucasians, but this trend existed only in organizations viewed as not valuing diversity. Avery, D. R., McKay, P. F., Wilson, D. C., & Tonidandel, S. (2007). Unequal attendance: The relationships between race, organizational diversity cues, and absenteeism. *Personnel Psychology*, 60, 875–902. Similarly, among African Americans, the perception that the organization did not value diversity was related to higher levels of turnover. McKay, P. F., Avery, D. R., Tonidandel, S., Morris, M. A., Hernandez, M., & Hebl, M. R. (2007). Racial differences in employee retention: Are diversity climate perceptions the key? *Personnel Psychology*, 60, 35–62. Another study found differences in the sales performance of Hispanic and Caucasian employees, but again this difference disappeared when the organization was viewed as valuing diversity. McKay, P., Avery, D. R., & Morris, M. A. (2008). Mean racial-ethnic differences in employee sales performance: The moderating role of diversity climate. *Personnel Psychology*, 61, 349–374. It seems that the *perception* that the organization does not value diversity is a fundamental explanation for why ethnic minorities may feel alienated from coworkers. Creating a fair work environment where diversity is valued and appreciated seems to be the key.

Organizations often make news headlines for alleged or actual race discrimination, but there are many stories involving complete turnarounds, suggesting that conscious planning and motivation to improve may make organizations friendlier to all races. One such success story is Denny's Corporation. In 1991, Denny's restaurants settled a \$54 million race discrimination lawsuit. In 10 years, the company was able to change the situation completely. Now, women and minorities make up half of their board and almost half of their management team. The company started by hiring a chief diversity officer who reported directly to the CEO. The company implemented a diversity-training program, extended recruitment efforts to diverse colleges, and increased the number of minority-owned franchises. At the same time, customer satisfaction among African Americans increased from 30% to 80%. Speizer, I. (2004). Diversity on the menu. *Workforce Management*, 83(12), 41–45.

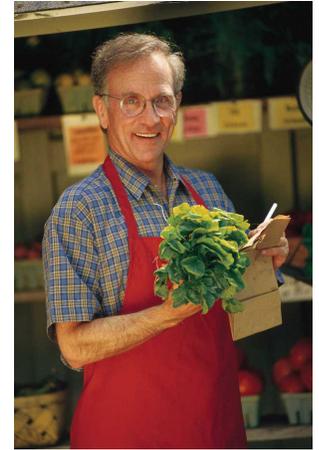
## Age Diversity in the Workplace

The workforce is rapidly aging. By 2015, those who are 55 and older are estimated to constitute 20% of the workforce in the United States. The same trend seems to be occurring elsewhere in the world. In the European Union, employees over 50 years of age are projected to increase by 25% in the next 25 years. Avery, D. R., McKay, P. F., & Wilson, D. C. (2007). Engaging the aging workforce: The relationship between perceived age similarity, satisfaction with coworkers, and employee engagement. *Journal of Applied Psychology*, 92, 1542–1556. According to International Labor Organization (ILO), out of the world's working population, the largest group is those between 40 and 44 years old. In contrast, the largest segment in 1980 was the 20- to 24-year-old group. International Labor Organization. (2005). *Yearly statistics*. Geneva, Switzerland: ILO. In other words, age diversity at work will grow in the future.

What happens to work performance as employees get older? Research shows that age is correlated with a number of positive workplace behaviors, including higher levels of citizenship behaviors such as volunteering, higher compliance with safety rules, lower work injuries, lower counterproductive behaviors, and lower rates of tardiness or absenteeism. Ng, T. W. H., & Feldman, D. C. (2008). The relationship of age to ten dimensions of job performance. *Journal of Applied Psychology*, 93, 392–423. As people get older, they are also less likely to want to quit their job when they are dissatisfied at work. Hellman, C. M. (1997). Job satisfaction and intent to leave. *Journal of Social Psychology*, 137, 677–689.

Despite their positive workplace behaviors, employees who are older often have to deal with age-related stereotypes at work. For example, a review of a large number of studies showed that those between 17 and 29 years of age tend to rate older employees more negatively, while younger employees were viewed as more qualified and having higher potential. Finkelstein, L. M., Burke, M. J., & Raju, N. S. (1995). Age discrimination in simulated employment contexts: An integrative analysis. *Journal of Applied Psychology*, 80, 652–663. However, these stereotypes have been largely refuted by research. Another review showed that stereotypes about older employees—they perform on a lower level, they are less able to handle stress, or their performance declines with age—are simply inaccurate. Posthuma, R. A., &

Figure 2.6



Older employees tend to be reliable and committed employees who often perform at comparable or higher levels than younger workers.

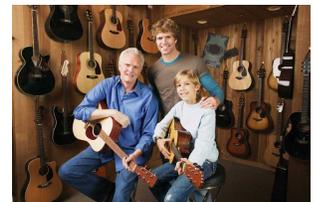
© 2010 Jupiterimages Corporation

Campion, M. A. (in press). Age stereotypes in the workplace: Common stereotypes, moderators, and future research directions. *Journal of Management*. The problem with these stereotypes is that they may discourage older workers from remaining in the workforce or may act as a barrier to their being hired in the first place.

In the United States, age discrimination is prohibited by the Age Discrimination in Employment Act of 1967, which made it illegal for organizations to discriminate against employees over 40 years of age. Still, age discrimination is prevalent in workplaces. For example, while not admitting wrongdoing, Honeywell International Inc. recently settled an age discrimination lawsuit for \$2.15 million. A group of older sales representatives were laid off during company reorganization while younger employees with less experience were kept in their positions. Equal Employment Opportunity Commission. (2004). Honeywell International to pay \$2.15 million for age discrimination in EEOC settlement. Retrieved November 7, 2008, from the Equal Employment Opportunity Commission Web site: <http://www.eeoc.gov/press/10-4-04a.html>. Older employees may also face discrimination because some jobs have a perceived “correct age.” This was probably the reason behind the lawsuit International Creative Management Inc. faced against 150 TV writers. The lawsuit claimed that the talent agency systematically prevented older workers from getting jobs at major networks. TV writers settle age discrimination lawsuit. (2008, August 20). Retrieved November 7, 2008, from International Business Times Web site: <http://www.ibtimes.com/articles/20080820/tv-writers-settle-age-discrimination-lawsuit.htm>.

What are the challenges of managing age diversity beyond the management of stereotypes? Age diversity within a team can actually lead to higher team performance. In a simulation, teams with higher age diversity were able to think of different possibilities and diverse actions, leading to higher performance for the teams. Kilduff, M., Angelmar, R., & Mehra, A. (2000). Top management-team diversity and firm performance: Examining the role of cognitions. *Organization Science*, 11, 21–34. At the same time, managing a team with age diversity may be challenging because different age groups seem to have different opinions about what is fair treatment, leading to different perceptions of organizational justice. Colquitt, J. A., Noe, R. A., & Jackson, C. L. (2002). Justice in teams: Antecedents and consequences of procedural justice climate. *Personnel Psychology*, 55, 83–109. Age diversity also means that the workforce will consist of employees from different generations. Some organizations are noticing a generation gap and noting

Figure 2.7



In many family-owned businesses, different generations work together.

© 2010 Jupiterimages Corporation

implications for the management of employees. For example, the pharmaceutical company Novo Nordisk Inc. noticed that baby boomers (those born between 1946 and 1964) were competitive and preferred individual feedback on performance, while Generation Y workers (born between 1979 and 1994) were more team oriented. This difference led one regional manager to start each performance feedback e-mail with recognition of team performance, which was later followed by feedback on individual performance. Similarly, Lockheed Martin Corporation noticed that employees from different generations had different learning styles, with older employees preferring PowerPoint presentations and younger employees preferring more interactive learning. White, E. (2008, June 30). Age is as age does: Making the generation gap work for you. *Wall Street Journal*, p. B6. Paying attention to such differences and tailoring various aspects of management to the particular employees in question may lead to more effective management of an age-diverse workforce.

### **Religious Diversity in the Workplace**

In the United States, employers are prohibited from using religion in employment decisions based on Title VII of the Civil Rights Act of 1964. Moreover, employees are required to make reasonable accommodations to ensure that employees can practice their beliefs unless doing so provides an unreasonable hardship on the employer. Equal Employment Opportunity Commission. (2007). Religious discrimination. Retrieved November 7, 2008, from the Equal Employment Opportunity Commission Web site: <http://www.eeoc.gov/types/religion.html>. After September 11, cases involving religion and particularly those involving Muslim employees have been on the rise. Bazar, E. (2008, October 16). Prayer leads to work disputes. *USA Today*. Retrieved January 29, 2009, from [http://www.usatoday.com/news/nation/2008-10-15-Muslim\\_N.htm](http://www.usatoday.com/news/nation/2008-10-15-Muslim_N.htm). Religious discrimination often occurs because the religion necessitates modifying the employee's schedule. For example, devout Muslim employees may want to pray five times a day with each prayer lasting 5 to 10 minutes. Some Jewish employees may want to take off Yom Kippur and Rosh Hashanah, although these days are not recognized as holidays in the United States. These situations pit employers' concerns for productivity against employees' desires to fulfill religious obligations.

Accommodating someone's religious preferences may also require companies to relax their dress code to take into account religious practices such as wearing a turban for Sikhs or covering one's hair with a scarf for Muslim women. In these cases, what matters most is that the company makes a good faith attempt to accommodate the employee. For example, in a recent lawsuit that was decided in favor of Costco Wholesale Corporation, the retailer was accused of religious discrimination. A cashier who belonged to the Church of Body Modification, which is a church with about 1,000 members worldwide, wanted to be able to display her

tattoos and facial piercings, which was against the dress code of Costco. Costco wanted to accommodate the employee by asking the individual to cover the piercings with skin-colored Band-Aids, which the employee refused. This is likely the primary reason why the case was decided in favor of Costco. Wellner, A. S. (2005). Costco piercing case puts a new face on the issue of wearing religious garb at work. *Workforce Management*, 84(6), 76–78.

### **Employees with Disabilities in the Workplace**

Employees with a wide range of physical and mental disabilities are part of the workforce. In 2008 alone, over 19,000 cases of discrimination based on disabilities have been filed with the EEOC. The Americans with Disabilities Act of 1990 (ADA) prohibits discrimination in employment against individuals with physical as well as mental disabilities if these individuals are otherwise qualified to do their jobs with or without reasonable accommodation. For example, an organization may receive a job application from a hearing impaired candidate whose job responsibilities will include talking over the phone. With the help of a telephone amplifier, which costs around \$50, the employee will be able to perform the job; therefore, the company cannot use the hearing impairment as a reason not to hire the person, again, as long as the employee is otherwise qualified. In 2008, the largest groups of complaints were cases based on discrimination related to disabilities or illnesses such as cancer, depression, diabetes, hearing impairment, manic-depressive disorder, and orthopedic impairments, among others. Equal Employment Opportunity Commission. (2008). ADA charge data by impairments/bases—merit factor resolutions. FY 1997–FY 2007. Retrieved November 10, 2008, from the Equal Employment Opportunity Commission Web site: <http://www.eeoc.gov/stats/ada-merit.html>. Particularly employees suffering from illnesses that last for a long time and require ongoing care seem to be at a disadvantage, because they are more likely to be stereotyped, locked into dead-end jobs, and employed in jobs that require substantially lower skills and qualifications than they possess. They also are more likely to quit their jobs. Beatty, J. E., & Joffe, R. (2006). An overlooked dimension of diversity: The career effects of chronic illness. *Organizational Dynamics*, 35, 182–195.

What can organizations do to create a better work environment for employees with disabilities? One legal requirement is that, when an employee brings up a disability, the organization should consider reasonable accommodations. This may include modifying the employee's schedule and reassigning some nonessential job functions. Organizations that offer flexible work hours may also make it easier for employees with disabilities to be more effective. Finally, supportive relationships with others seem to be the key for making these employees feel at home. Particularly, having an understanding boss and an effective relationship with supervisors are particularly important for employees with disabilities. Because the visible differences between individuals may act as an initial barrier against

developing rapport, employees with disabilities and their managers may benefit from being proactive in relationship development. Colella, A., & Varma A. (2001). The impact of subordinate disability on leader-member exchange relationships. *Academy of Management Journal*, 44, 302–315.

### Sexual Orientation Diversity in the Workplace

Lesbian, bisexual, gay, and transgender (LGBT) employees in the workplace face a number of challenges and barriers to employment. There is currently no federal law in the United States prohibiting discrimination based on sexual orientation, but as of 2008, 20 states as well as the District of Columbia had laws prohibiting discrimination in employment based on sexual orientation. Human Rights Campaign. (2008). Working for gay, lesbian, bisexual and transgender equal rights. Retrieved November 7, 2008, from the Human Rights Campaign Web site: [http://www.hrc.org/issues/workplace/workplace\\_laws.asp](http://www.hrc.org/issues/workplace/workplace_laws.asp).

Research shows that one of the most important issues relating to sexual orientation is the disclosure of sexual identity in the workplace. According to one estimate, up to one-third of lesbian, gay, and bisexual employees do not disclose their sexual orientation at work. Employees may fear the reactions of their managers and coworkers, leading to keeping their sexual identity a secret. In reality though, it seems that disclosing sexual orientation is not the key to explaining work attitudes of these employees—it is whether or not they are *afraid* to disclose their sexual identity. In other words, those employees who fear that full disclosure would lead to negative reactions experience lower job satisfaction, reduced organizational commitment, and higher intentions to leave their jobs. Ragins, B. R., Singh, R., & Cornwell, J. M. (2007). Making the invisible visible: Fear and disclosure of sexual orientation at work. *Journal of Applied Psychology*, 92, 1103–1118. Creating an environment where all employees feel welcome and respected regardless of their sexual orientation is the key to maintaining a positive work environment.

How can organizations show their respect for diversity in sexual orientation? Some companies start by creating a written statement that the organization will not tolerate discrimination based on sexual orientation. They may have workshops addressing issues relating to sexual orientation and facilitate and create networking opportunities for lesbian and gay employees. Perhaps the most powerful way in which companies show respect for sexual orientation diversity is by extending benefits to the partners of same-sex couples. In fact, more than half of *Fortune 500* companies currently offer health benefits to domestic partners of same-sex couples. Research shows that in companies that have these types of programs, discrimination based on sexual orientation is less frequent, and the job satisfaction and commitment levels are higher. Button, S. (2001). Organizational efforts to affirm sexual diversity: A cross-level examination. *Journal of Applied Psychology*, 86, 17–28.

### **OB Toolbox: I think I am being asked illegal interview questions. What can I do?**

In the United States, demographic characteristics such as race, gender, national origin, age, and disability status are protected by law. Yet according to a survey of 4,000 job seekers, about one-third of job applicants have been asked illegal interview questions. How can you answer such questions?

Here are some options.

- *Refuse to answer.* You may point out that the question is illegal and refuse to answer. Of course, this may cost you the job offer, because you are likely to seem confrontational and aggressive.
- *Answer shortly.* Instead of giving a full answer to a question such as “are you married,” you could answer the question briefly and change the subject. In many cases, the interviewer may be trying to initiate small talk and may be unaware that the question is potentially illegal.
- *Answer the intent.* Sometimes, the illegal question hides a legitimate concern. When you are being asked where you are from, the potential employer might be concerned that you do not have a work permit. Addressing the issue in your answer may be better than answering the question you are being asked.
- *Walk away from the interview.* If you feel that the intent of the question is discriminatory, and if you feel that you would rather not work at a company that would ask such questions, you can always walk away from the interview. If you feel that you are being discriminated against, you may also want to talk to a lawyer later on.

Sources: Cottle, M. (1999, April 25). Too personal at the interview. *New York Times*, p. 10; Thomas, J. (1999, July–August). Beware of illegal interview questions. *Women in Business*, 51(4), 14.

### **Suggestions for Managing Demographic Diversity**

What can organizations do to manage diversity more effectively? In this section, we review research findings and the best practices from different companies to create a list of suggestions for organizations.

### Build a Culture of Respecting Diversity

In the most successful companies, diversity management is not the responsibility of the human resource department. Starting from top management and including the lowest levels in the hierarchy, each person understands the importance of respecting others. If this respect is not part of an organization's culture, no amount of diversity training or other programs are likely to be effective. In fact, in the most successful companies, diversity is viewed as everyone's responsibility. The United Parcel Service of America Inc. (UPS), the international shipping company, refuses to hire a diversity officer, underlining that it is not one person's job. Companies with a strong culture—where people have a sense of shared values, loyalty to the organization is rewarded, and team performance is celebrated—enable employees with vastly different demographics and backgrounds to feel a sense of belonging. Chatman, J. A., Polzer, J. T., Barsade, S. G., & Neale, M. A. (1998). Being different yet feeling similar: The influence of demographic composition and organizational culture on work processes and outcomes. *Administrative Science Quarterly*, 43, 749–780; Fisher, A. (2004). How you can do better on diversity. *Fortune*, 150(10), 60.

Figure 2.8



UPS operates in 200 countries, including Italy where a boat is carrying packages on the Canal Grande in Venice. At UPS, 58% of all senior officers are women or minorities.

Source: <http://en.wikipedia.org/wiki/Image:Venezia0750UPS.jpg>.

### Make Managers Accountable for Diversity

People are more likely to pay attention to aspects of performance that are measured. In successful companies, diversity metrics are carefully tracked. For example, in PepsiCo, during the tenure of former CEO Steve Reinemund, half of all new hires had to be either women or minorities. Bonuses of managers partly depended on whether they had met their diversity-related goals. Yang, J. L. (2006). Pepsi's diversity push pays off. *Fortune*, 154(5), 15. When managers are evaluated and rewarded based on how effective they are in diversity management, they are more likely to show commitment to diversity that in turn affects the diversity climate in the rest of the organization.

### Diversity Training Programs

Many companies provide employees and managers with training programs relating to diversity. However, not all diversity programs are equally successful. You may expect that more successful programs are those that occur in companies where a

culture of diversity exists. A study of over 700 companies found that programs with a higher perceived success rate were those that occurred in companies where top management believed in the importance of diversity, where there were explicit rewards for increasing diversity of the company, and where managers were required to attend the diversity training programs. Rynes, S., & Rosen, B. (1995). A field survey of factors affecting the adoption and perceived success of diversity training. *Personnel Psychology*, 48, 247–270.

### Review Recruitment Practices

Companies may want to increase diversity by targeting a pool that is more diverse. There are many minority professional groups such as the National Black MBA Association or the Chinese Software Professionals Association. By building relations with these occupational groups, organizations may attract a more diverse group of candidates to choose from. The auditing company Ernst & Young Global Ltd. increases diversity of job candidates by mentoring undergraduate students. Nussenbaum, E. (2003). The lonely recruiter. *Business 2.0*, 4(9), 132. Companies may also benefit from reviewing their employment advertising to ensure that diversity is important at all levels of the company. Avery, D. R. (2003). Reactions to diversity in recruitment advertising: Are differences black and white? *Journal of Applied Psychology*, 88, 672–679.

### Affirmative Action Programs

Policies designed to recruit, promote, train, and retain employees belonging to a protected class are referred to as **affirmative action**<sup>8</sup>. Based on Executive order 11246 (1965), federal contractors are required to use affirmative action programs. In addition, the federal government, many state and local governments, and the U.S. military are required to have affirmative action plans. An organization may also be using affirmative action as a result of a court order or due to a past history of discrimination. Affirmative action programs are among the most controversial methods in diversity management because some people believe that they lead to an unfair advantage for minority members.

In many cases, the negative perceptions about affirmative action can be explained by misunderstandings relating to what such antidiscrimination policies entail. Moreover, affirmative action means different things to different people and therefore it is inaccurate to discuss affirmative action as a uniform package.

8. Policies designed to recruit, promote, train, and retain employees belonging to a protected class.

Four groups of programs can be viewed as part of affirmative action programs: Cropanzano, R., Slaughter, J. E., & Bachiochi, P. D. (2005). Organizational justice and black applicants' reactions to affirmative action. *Journal of Applied*

*Psychology*, 90, 1168–1184; Kravitz, D. A. (2008). The diversity-validity dilemma: Beyond selection—The role of affirmative action. *Personnel Psychology*, 61, 173–193; Voluntary diversity plans can lead to risk. (2007). *HR Focus*, 84(6), 2.

1. **Simple elimination of discrimination.** These programs are the least controversial and are received favorably by employees.
2. **Targeted recruitment.** These affirmative action plans involve ensuring that the candidate pool is diverse. These programs are also viewed as fair by most employees.
3. **Tie-breaker.** In these programs, if all other characteristics are equal, then preference may be given to a minority candidate. In fact, these programs are not widely used and their use needs to be justified by organizations. In other words, organizations need to have very specific reasons for why they are using this type of affirmative action, such as past illegal discrimination. Otherwise, their use may be illegal and lead to reverse discrimination. These programs are viewed as less fair by employees.
4. **Preferential treatment.** These programs involve hiring a less-qualified minority candidate. Strong preferential treatment programs are illegal in most cases.

It is plausible that people who are against affirmative action programs may have unverified assumptions about the type of affirmative action program the company is using. Informing employees about the specifics of how affirmative action is being used may be a good way of dealing with any negative attitudes. In fact, a review of the past literature revealed that when specifics of affirmative action are not clearly defined, observers seem to draw their own conclusions about the particulars of the programs. Harrison, D. A., Kravitz D. A., Mayer, D. M., Leslie, L. M., & Lev-Arey D. (2006). Understanding attitudes toward affirmative action programs in employment: Summary in meta-analysis of 35 years of research. *Journal of Applied Psychology*, 91, 1013–1036.

In addition to employee reactions to affirmative action, there is some research indicating that affirmative action programs may lead to stigmatization of the perceived beneficiaries. For example, in companies using affirmative action, coworkers of new hires may make the assumption that the new hire was chosen due to gender or race as opposed to having the necessary qualifications. These effects may even occur in the new hires themselves, who may have doubts about the fact that they were chosen because they were the best candidate for the position. Research also shows that giving coworkers information about the qualifications and performance of the new hire eliminates these potentially negative effects of affirmative action programs. Heilman, M. E., Kaplow, S. R., Amato, M. A., & Stathatos, P. (1993). When similarity is a liability: Effects of sex-based preferential

selection on reactions to like-sex and different-sex others. *Journal of Applied Psychology*, 78, 917–927; Heilman, M. E., Rivero, C. J., & Brett, J. F. (1991). Skirting the competence issue: Effects of sex-based preferential selection on task choices of women and men. *Journal of Applied Psychology*, 76, 99–105; Heilman, M. E., Simon, M. C., & Repper, D. P. (1987). Internationally favored, unintentionally harmed? Impact of sex-based preferential selection on self-perceptions and self-evaluations. *Journal of Applied Psychology*, 72, 62–68; Kravitz, D. A. (2008). The diversity-validity dilemma: Beyond selection: The role of affirmative action. *Personnel Psychology*, 61, 173–193.

### OB Toolbox: Dealing with Being Different

At any time in your career, you may find yourself in a situation in which you are different from those around you. Maybe you are the only male in an organization where most of your colleagues and managers are females. Maybe you are older than all your colleagues. How do you deal with the challenges of being different?

- *Invest in building effective relationships.* Early in a relationship, people are more attracted to those who are demographically similar to them. This means that your colleagues or manager may never get to find out how smart, fun, or hardworking you are if you have limited interactions with them. Create opportunities to talk to them. Be sure to point out areas of commonality.
- *Choose your mentor carefully.* Mentors may help you make sense of the organization's culture, give you career-related advice, and help you feel like you belong. That said, how powerful and knowledgeable your mentor is also matters. You may be more attracted to someone at your same level and who is similar to you, but you may have more to learn from someone who is more experienced, knowledgeable, and powerful than you are.
- *Investigate company resources.* Many companies offer networking opportunities and interest groups for women, ethnic minorities, and employees with disabilities among others. Check out what resources are available through your company.
- *Know your rights.* You should know that harassment based on protected characteristics such as gender, race, age, or disabilities, as well as discrimination based on these traits are illegal in the United States. If you face harassment or discrimination, you may want to notify your manager or your company's HR department.

### KEY TAKEAWAY

Organizations managing diversity effectively benefit from diversity because they achieve higher creativity, better customer service, higher job satisfaction, higher stock prices, and lower litigation expenses. At the same time, managing a diverse workforce is challenging for several key reasons. Employees are more likely to associate with those who are similar to them early in a relationship, the distribution of demographic traits could create faultlines within a group, and stereotypes may act as barriers to advancement and fair treatment of employees. Demographic traits such as gender, race, age, religion, disabilities, and sexual orientation each face unique challenges. Organizations can manage demographic diversity more effectively by building a culture of respect, making managers accountable for diversity, creating diversity-training programs, reviewing recruitment practices, and under some conditions, utilizing affirmative action programs.

### EXERCISES

1. What does it mean for a company to manage diversity effectively? How would you know if a company is doing a good job of managing diversity?
2. What are the benefits of effective diversity management?
3. How can organizations deal with the “similarity-attraction” phenomenon? Left unchecked, what are the problems this tendency can cause?
4. What is the earnings gap? Who does it affect? What are the reasons behind the earnings gap?
5. Do you think that laws and regulations are successful in eliminating discrimination in the workplace? Why or why not?

## 2.3 Cultural Diversity

### LEARNING OBJECTIVES

1. Explain what culture is.
2. Define the four dimensions of culture that are part of Hofstede's framework.
3. Describe some ways in which national culture affects organizational behavior.

**Culture**<sup>9</sup> refers to values, beliefs, and customs that exist in a society. In the United States, the workforce is becoming increasingly multicultural, with close to 16% of all employees being born outside the country. In addition, the world of work is becoming increasingly international. The world is going through a transformation in which China, India, and Brazil are emerging as major players in world economics. Companies are realizing that doing international business provides access to raw materials, resources, and a wider customer base. For many companies, international business is where most of the profits lie, such as for Intel Corporation, where 70% of all revenues come from outside the United States. International companies are also becoming major players within the United States. For example, China's Lenovo acquired IBM's personal computer business and became the world's third largest computer manufacturer. Frauenheim, E. (2005). Crossing cultures. *Workforce Management*, 84(13), 1-32. As a result of these trends, understanding the role of national culture for organizational behavior may provide you with a competitive advantage in your career. In fact, sometime in your career, you may find yourself working as an expatriate. An **expatriate**<sup>10</sup> is someone who is temporarily assigned to a position in a foreign country. Such an experience may be invaluable for your career and challenge you to increase your understanding and appreciation of differences across cultures.

9. The values, beliefs, and customs that exist in a society.

10. Someone who is temporarily assigned to a position in a foreign country.

Figure 2.9



*Due to increased globalization of businesses, understanding the role of culture for organizational behavior may provide you with a competitive advantage in your career.*

© 2010 Jupiterimages Corporation

How do cultures differ from each other? If you have ever visited a country different from your own, you probably have stories to tell about what aspects of the culture were different and which were similar. Maybe you have noticed that in many parts of the United States people routinely greet strangers with a smile when they step into an elevator or see them on the street, but the same behavior of saying hello and smiling at strangers would be considered odd in many parts of Europe. In India and other parts of Asia, traffic flows with rules of its own, with people disobeying red lights, stopping and loading passengers in highways, or honking continuously for no apparent reason. In fact, when it comes to culture, we are like fish in the sea: We may not realize how culture is shaping our behavior until we leave our own and go someplace else. Cultural differences may shape how people dress, how they act, how they form relationships, how they address each other, what they eat, and many other aspects of daily life. Of course, talking about national cultures does not mean that national cultures are uniform. In many countries, it is possible to talk about the existence of cultures based on region or geography. For example, in the United States, the southern, eastern, western, and midwestern regions of the country are associated with slightly different values.

Thinking about hundreds of different ways in which cultures may differ is not very practical when you are trying to understand how culture affects work behaviors. For this reason, the work of Geert Hofstede, a Dutch social scientist, is an important contribution to the literature. Hofstede studied IBM employees in 66 countries and showed that four dimensions of national culture explain an important source of variation among cultures. Research also shows that cultural variation with respect to these four dimensions influence employee job behaviors, attitudes, well-being, motivation, leadership, negotiations, and many other aspects of organizational behavior. Hofstede, G. (1980). Culture and organizations. *International Studies of Management & Organization*, 10(4), 15–41; Tsui, A. S., Nifadkar, S. S., & Ou, A. Y. (2007). Cross-national, cross-cultural organizational behavior research: Advances, gaps, and recommendations. *Journal of Management*, 33, 426–478.

Figure 2.10

<p><b>Individualism</b> Cultures in which people define themselves as individuals and form looser ties with their groups.</p> <ul style="list-style-type: none"> <li>• USA</li> <li>• Australia</li> <li>• UK</li> <li>• Canada</li> <li>• Hungary</li> </ul>	<p><b>Collectivism</b> Cultures where people have stronger bonds to their groups and group membership forms a person's self identity.</p> <ul style="list-style-type: none"> <li>• Guatemala</li> <li>• Ecuador</li> <li>• Indonesia</li> <li>• Pakistan</li> <li>• China</li> </ul>
<p><b>Low Power Distance</b> A society that views an unequal distribution of power as relatively unacceptable.</p> <ul style="list-style-type: none"> <li>• Austria</li> <li>• Denmark</li> <li>• Israel</li> <li>• Ireland</li> <li>• New Zealand</li> </ul>	<p><b>High Power Distance</b> A society that views an unequal distribution of power as relatively acceptable.</p> <ul style="list-style-type: none"> <li>• Malaysia</li> <li>• Slovakia</li> <li>• Philippines</li> <li>• Russia</li> <li>• Mexico</li> </ul>
<p><b>Low Uncertainty Avoidance</b> Cultures in which people are comfortable in unpredictable situations and have high tolerance for ambiguity.</p> <ul style="list-style-type: none"> <li>• Denmark</li> <li>• Jamaica</li> <li>• Singapore</li> <li>• China</li> <li>• Sweden</li> </ul>	<p><b>High Uncertainty Avoidance</b> Cultures in which people prefer predictable situations and have low tolerance for ambiguity.</p> <ul style="list-style-type: none"> <li>• Belgium</li> <li>• El Salvador</li> <li>• Greece</li> <li>• Guatemala</li> <li>• Portugal</li> </ul>
<p><b>Masculinity</b> Cultures in which people value achievement and competitiveness, as well as acquisition of money and other material objects.</p> <ul style="list-style-type: none"> <li>• Slovakia</li> <li>• Japan</li> <li>• Hungary</li> <li>• Austria</li> <li>• Venezuela</li> </ul>	<p><b>Femininity</b> Cultures in which people value maintaining good relationships, caring for the weak, and quality of life.</p> <ul style="list-style-type: none"> <li>• Norway</li> <li>• Netherlands</li> <li>• Sweden</li> <li>• Costa Rica</li> <li>• Chile</li> </ul>

Hofstede's culture framework is a useful tool to understand the systematic differences across cultures.

Source: Adapted from information in Geert Hofstede cultural dimensions. Retrieved November 12, 2008, from [http://www.geert-hofstede.com/hofstede\\_dimensions.php](http://www.geert-hofstede.com/hofstede_dimensions.php).

## Individualism-Collectivism

**Individualistic cultures**<sup>11</sup> are cultures in which people define themselves as an individual and form looser ties with their groups. These cultures value autonomy and independence of the person, self-reliance, and creativity. Countries such as the United States, United Kingdom, and Australia are examples of individualistic cultures. In contrast, **collectivistic cultures**<sup>12</sup> are cultures where people have stronger bonds to their groups and group membership forms a person's self identity. Asian countries such as China and Japan, as well as countries in Latin America are higher in collectivism.

11. Cultures in which people define themselves as individuals and form looser ties with their groups.

12. Cultures where people have stronger bonds to their groups, and group membership forms a person's self identity.

In collectivistic cultures, people define themselves as part of a group. In fact, this may be one way to detect people's individualism-collectivism level. When

individualists are asked a question such as “Who are you? Tell me about yourself,” they are more likely to talk about their likes and dislikes, personal goals, or accomplishments. When collectivists are asked the same question, they are more likely to define themselves in relation to others, such as “I am Chinese” or “I am the daughter of a doctor and a homemaker. I have two brothers.” In other words, in collectivistic cultures, self identity is shaped to a stronger extent by group memberships. Triandis, H. C., McCusker, C., & Hui, H. C. (1990). Multimethod probes on individualism and collectivism. *Journal of Personality and Social Psychology*, 59, 1006–1020.

In collectivistic societies, family bonds are more influential in people’s daily lives. While individualists often refer to their nuclear family when thinking about their families, collectivists are more likely to define family in a broader sense, including cousins, uncles, aunts, and second cousins. Family members are more involved in each others’ lives. For example, in societies such as Iran, Greece, and Turkey, extended family members may see each other several times a week. In many collectivistic societies, the language reflects the level of interaction among extended family members such that there may be different words used to refer to maternal versus paternal grandparents, aunts, or uncles. In addition to interacting with each other more often, family members have a strong sense of obligation toward each other. For example, children often expect to live with their parents until they get married. In collectivistic countries such as Thailand, Japan, and India, choosing a career or finding a spouse are all family affairs. In these cultures, family members feel accountable for each others’ behavior such that one person’s misbehavior may be a cause of shame for the rest of the family. Hui, H. C., & Triandis, H. C. (1986). Individualism-collectivism: A study of cross-cultural researchers. *Journal of Cross-Cultural Psychology*, 17, 225–248. Understanding the importance of family in collectivistic cultures is critical to understanding their work behaviors. For example, one multinational oil company in Mexico was suffering from low productivity. When the situation was investigated, it became clear that the new manager of the subsidiary had gotten rid of a monthly fiesta for company employees and their families under the assumption that it was a waste of time and money. Employees had interpreted this to mean that the company no longer cared about their families. Raphael, T. (2001). Savvy companies build bonds with Hispanic employees. *Workforce*, 80(9), 19. In India, companies such as Intel organize “take your parents to work day” and involve parents in recruitment efforts, understanding the role of parents in the career and job choices of prospective employees. Frauenheim, E. (2005). Crossing cultures. *Workforce Management*, 84(13), 1–32.

Collectivists are more attached to their groups and have more permanent attachments to these groups. Conversely, individualists attempt to change groups more often and have weaker bonds to them. It is important to recognize that to

collectivists the entire human universe is not considered to be their in-group. In other words, collectivists draw sharper distinctions between the groups they belong to and those they do not belong to. They may be nice and friendly to their in-group members while acting much more competitively and aggressively toward out-group members. This tendency has important work implications. While individualists may evaluate the performance of their colleagues more accurately, collectivists are more likely to be generous when evaluating their in-group members. Freeborders, a software company based in San Francisco, California, found that even though it was against company policy, Chinese employees were routinely sharing salary information with their coworkers. This situation led them to change their pay system by standardizing pay at job levels and then giving raises after more frequent appraisals. Frauenheim, E. (2005). Crossing cultures. *Workforce Management*, 84(13), 1–32; Hui, H. C., & Triandis, H. C. (1986). Individualism-collectivism: A study of cross-cultural researchers. *Journal of Cross-Cultural Psychology*, 17, 225–248; Javidan, M., & Dastmalchian, A. (2003). Culture and leadership in Iran: The land of individual achievers, strong family ties and powerful elite. *Academy of Management Executive*, 17, 127–142; Gomez, C., Shapiro, D. L., & Kirkman, B. L. (2000). The impact of collectivism and in-group/out-group membership on the evaluation generosity of team members. *Academy of Management Journal*, 43, 1097–1106.

Collectivistic societies emphasize conformity to the group. The Japanese saying “the nail that sticks up gets hammered down” illustrates that being different from the group is undesirable. In these cultures, disobeying or disagreeing with one’s group is difficult and people may find it hard to say no to their colleagues or friends. Instead of saying no, which would be interpreted as rebellion or at least be considered rude, they may use indirect ways of disagreeing, such as saying “I have to think about this” or “this would be difficult.” Such indirect communication prevents the other party from losing face but may cause misunderstandings in international communications with cultures that have a more direct style. Collectivist cultures may have a greater preference for team-based rewards as opposed to individual-based rewards. For example, in one study, more than 75% of the subjects in Philippines viewed team-based pay as fair, while less than 50% of the U.S.-based subjects viewed team-based rewards as fair. Kirkman, B. L., Gibson, B. C., & Shapiro, D. L. (2001). Exporting teams: Enhancing the implementation and effectiveness of work teams in global affiliates. *Organizational Dynamics*, 30, 12–29.

### Power Distance

**Power distance**<sup>13</sup> refers to the degree to which the society views an unequal distribution of power as acceptable. Simply put, some cultures are more egalitarian than others. In low power distance cultures, egalitarianism is the norm. In high power distance cultures, people occupying more powerful positions such as managers, teachers, or those who are older are viewed as more powerful and

13. The degree to which the society views an unequal distribution of power as acceptable.

deserving of a higher level of respect. High power distance cultures are hierarchical cultures where everyone has their place. Powerful people are supposed to act powerful, while those in inferior positions are expected to show respect. For example, Thailand is a high power distance culture and, starting from childhood, people learn to recognize who is superior, equal, or inferior to them. When passing people who are more powerful, individuals are expected to bow, and the more powerful the person, the deeper the bow would be. Pornpitakpan, C. (2000). Trade in Thailand: A three-way cultural comparison. *Business Horizons*, 43, 61–70. Managers in high power distance cultures are treated with a higher degree of respect, which may surprise those in lower power distance cultures. A Citibank manager in Saudi Arabia was surprised when employees stood up every time he passed by. Denison, D. R., Haaland, S., & Goelzer, P. (2004). Corporate culture and organizational effectiveness: Is Asia different from the rest of the world? *Organizational Dynamics*, 33, 98–109. Similarly, in Turkey, students in elementary and high schools greet their teacher by standing up every time the teacher walks into the classroom. In these cultures, referring to a manager or a teacher with their first name would be extremely rude. High power distance within a culture may easily cause misunderstandings with those from low power distance societies. For example, the limp handshake someone from India may give or a job candidate from Chad who is looking at the floor throughout the interview are in fact showing their respect, but these behaviors may be interpreted as indicating a lack of confidence or even disrespect in low power distance cultures.

One of the most important ways in which power distance is manifested in the workplace is that in high power distance cultures, employees are unlikely to question the power and authority of their manager, and conformity to the manager will be expected. Managers in these cultures may be more used to an authoritarian style with lower levels of participative leadership demonstrated. People will be more submissive to their superiors and may take orders without questioning the manager. Kirkman, B. L., Gibson, B. C., & Shapiro, D. L. (2001). Exporting teams: Enhancing the implementation and effectiveness of work teams in global affiliates. *Organizational Dynamics*, 30, 12–29. In these cultures, people may feel uncomfortable when they are asked to participate in decision making. For example, peers are much less likely to be involved in hiring decisions in high power distance cultures. Instead, these cultures seem to prefer paternalistic leaders—leaders who are authoritarian but make decisions while showing a high level of concern toward employees as if they were family members. Javidan, M., & Dastmalchian, A. (2003). Culture and leadership in Iran: The land of individual achievers, strong family ties and powerful elite. *Academy of Management Executive*, 17, 127–142; Ryan, A. M., Farland, L. M., Baron, H., & Page R. (1999). An international look at selection practices: Nation and culture as explanations for variability in practice. *Personnel Psychology*, 52, 359–391.

## Uncertainty Avoidance

**Uncertainty avoidance**<sup>14</sup> refers to the degree to which people feel threatened by ambiguous, risky, or unstructured situations. Cultures high in uncertainty avoidance prefer predictable situations and have low tolerance for ambiguity. Employees in these cultures expect a clear set of instructions and clarity in expectations. Therefore, there will be a greater level of creating procedures to deal with problems and writing out expected behaviors in manuals.

Cultures high in uncertainty avoidance prefer to avoid risky situations and attempt to reduce uncertainty. For example, one study showed that when hiring new employees, companies in high uncertainty avoidance cultures are likely to use a larger number of tests, conduct a larger number of interviews, and use a fixed list of interview questions. Ryan, A. M., Farland, L. M., Baron, H., & Page, R. (1999). An international look at selection practices: Nation and culture as explanations for variability in practice. *Personnel Psychology*, 52, 359–391. Employment contracts tend to be more popular in cultures higher in uncertainty avoidance compared to cultures low in uncertainty avoidance. Raghuram, S., London, M., & Larsen, H. H. (2001). Flexible employment practices in Europe: Country versus culture. *International Journal of Human Resource Management*, 12, 738–753. The level of change-oriented leadership seems to be lower in cultures higher in uncertainty avoidance. Ergeneli, A., Gohar, R., & Temirbekova, Z. (2007). Transformational leadership: Its relationship to culture value dimensions. *International Journal of Intercultural Relations*, 31, 703–724. Companies operating in high uncertainty avoidance cultures also tend to avoid risky endeavors such as entering foreign target markets unless the target market is very large. Rothaermel, F. T., Kotha, S., & Steensma, H. K. (2006). International market entry by U.S. Internet firms: An empirical analysis of country risk, national culture, and market size. *Journal of Management*, 32, 56–82.

Germany is an example of a high uncertainty avoidance culture where people prefer structure in their lives and rely on rules and procedures to manage situations. Similarly, Greece is a culture relatively high in uncertainty avoidance, and Greek employees working in hierarchical and rule-oriented companies report lower levels of stress. Joiner, A. (2001). The influence of national culture and organizational culture alignment on job stress and performance: Evidence from Greece. *Journal of Managerial Psychology*, 16, 229–243. In contrast, cultures such as Iran and Russia are lower in uncertainty avoidance, and companies in these regions do not have rule-oriented cultures. When they create rules, they also selectively enforce rules and make a number of exceptions to them. In fact, rules may be viewed as constraining. Uncertainty avoidance may influence the type of organizations employees are attracted to. Japan's uncertainty avoidance is associated with valuing job security,

14. The degree to which people feel threatened by ambiguous, risky, or unstructured situations.

while in uncertainty-avoidant Latin American cultures, many job candidates prefer the stability of bigger and well-known companies with established career paths.

### Masculinity–Femininity

**Masculine cultures**<sup>15</sup> are cultures that value achievement, competitiveness, and acquisition of money and other material objects. Japan and Hungary are examples of masculine cultures. Masculine cultures are also characterized by a separation of gender roles. In these cultures, men are more likely to be assertive and competitive compared to women. In contrast, **feminine cultures**<sup>16</sup> are cultures that value maintaining good relationships, caring for the weak, and emphasizing quality of life. In these cultures, values are not separated by gender, and both women and men share the values of maintaining good relationships. Sweden and the Netherlands are examples of feminine cultures. The level of masculinity inherent in the culture has implications for the behavior of individuals as well as organizations. For example, in masculine cultures, the ratio of CEO pay to other management-level employees tends to be higher, indicating that these cultures are more likely to reward CEOs with higher levels of pay as opposed to other types of rewards. Tosi, H. L., & Greckhamer, T. (2004). Culture and CEO compensation. *Organization Science*, 15, 657–670. The femininity of a culture affects many work practices, such as the level of work/life balance. In cultures high in femininity such as Norway and Sweden, work arrangements such as telecommuting seem to be more popular compared to cultures higher in masculinity like Italy and the United Kingdom.

15. Cultures that value achievement, competitiveness, and acquisition of money and other material objects.

16. Cultures that value maintaining good relationships, caring for the weak, and emphasizing quality of life.

### OB Toolbox: Prepare Yourself for a Global Career

With the globalizing economy, boundaries with respect to careers are also blurring. How can you prepare yourself for a career that crosses national boundaries?

- *Learn a language.* If you already know that you want to live in China after you finish school, now may be the time to start learning the language. It is true that business is often conducted in English, but it is becoming increasingly ethnocentric to speak only one language while many in the rest of the world can speak two or more. For example, only 9% of those living in the United States can speak their native language plus another language fluently, as opposed to 53% of Europeans. National Virtual Translation Center. (2009). Languages in American school and universities. Retrieved January 29, 2009, from <http://www.nvtc.gov/lotw/months/november/USSchoollanguages.htm>. Plus, even if business is conducted in English, your adaptation to a different society, making friends, and leading a satisfying life will be much easier if you can speak the language.
- *Immerse yourself in different cultures.* Visit different cultures. This does not mean visiting five countries in 5 days. Plan on spending more time in one locale, and get to know, observe, and understand the culture.
- *Develop an openness to different experiences.* Be open to different cuisines, different languages, and different norms of working and living. If you feel very strongly that your way of living and working is the right way, you will have a hard time adjusting to a different culture.
- *Develop a strong social support network.* Once you arrive in the culture you will live in, be proactive in making friends. Being connected to people in a different culture will have an influence on your ability to adjust to living there. If you are planning on taking family members with you, their level of readiness will also influence your ability to function in a different culture.
- *Develop a sense of humor.* Adjusting to a different culture is often easier if you can laugh at yourself and the mistakes you make. If you take every mistake too personally, your stay will be less enjoyable and more frustrating.

- *Plan your return.* If you have plans to come back and work in your home country, you will need to plan your return in advance. When people leave home for a long time, they often adapt to the foreign culture they live in and may miss many elements of it when they go back home. Your old friends may have moved on, local employers may not immediately appreciate your overseas experience, and you may even find that cultural aspects of your home country may have changed in your absence. Be ready for a reverse culture shock!

### Suggestions for Managing Cultural Diversity

With the increasing importance of international business as well as the culturally diverse domestic workforce, what can organizations do to manage cultural diversity?

#### Help Employees Build Cultural Intelligence

**Cultural intelligence**<sup>17</sup> is a person's capability to understand how a person's cultural background influences one's behavior. Developing cultural intelligence seems important, because the days when organizations could prepare their employees for international work simply by sending them to long seminars on a particular culture are gone. Presently, international business is not necessarily conducted between pairs of countries. A successful domestic manager is not necessarily assigned to work on a long-term assignment in China. Of course such assignments still happen, but it is more likely that the employees will continually work with others from diverse cultural backgrounds. This means employees will not necessarily have to become experts in one culture. Instead, they should have the ability to work with people from many diverse backgrounds all at the same time. For these types of assignments, employees will need to develop an awareness of overall cultural differences and learn how to recognize cultural principles that are operating in different situations. In other words, employees will need to be selected based on cultural sensitivity and understanding and trained to enhance such qualities. Earley, P. C., & Mosakowski, E. (2004). Cultural intelligence. *Harvard Business Review*, 82(10), 139–146. For example, GlobeSmart by Aperian Global is an online tool that helps employees learn how to deal with people from around the world. The process starts by completing a survey about your cultural values, and then these values are compared to those of different cultures. The tool provides specific advice about interpersonal interactions with these cultures. Hamm, S. (2008, September 8). Aperian: Helping companies bridge cultures. *Business Week Online*.

17. A person's capability to understand how a person's cultural background influences one's behavior.

Retrieved January 29, 2009, from [http://www.businessweek.com/technology/content/sep2008/tc2008095\\_508754.htm](http://www.businessweek.com/technology/content/sep2008/tc2008095_508754.htm).

### Avoid Ethnocentrism

**Ethnocentrism**<sup>18</sup> is the belief that one's own culture is superior to other cultures one comes across. Ethnocentrism leads organizations to adopt universal principles when doing business around the globe and may backfire. In this chapter, we highlighted research findings showing how culture affects employee expectations of work life such as work-life balance, job security, or the level of empowerment. Ignoring cultural differences, norms, and local habits may be costly for businesses and may lead to unmotivated and dissatisfied employees. Successful global companies modify their management styles, marketing, and communication campaigns to fit with the culture in which they are operating. For example, Apple Inc.'s famous PC versus Mac advertising campaign was reshot in Japan and the United Kingdom using local actors. The American ads were found to be too aggressive for the Japanese culture, where direct product comparisons are rare and tend to make people uncomfortable. The new ads feature more friendly banter and are subtler than the U.S. ads. For the British market, the advertisers localized the humor. Fowler, G. A., Steinberg, B., & Patrick, A. O. (2007, March 1). Mac and PC's overseas adventures; globalizing Apple's ads meant tweaking characters, clothing and body language. *Wall Street Journal*, p. B1.

### Listen to Locals

When doing cross-cultural business, locals are a key source of information. To get timely and accurate feedback, companies will need to open lines of communication and actively seek feedback. For example, Convergys, a Cincinnati-based call-center company, built a cafeteria for the employees in India. During the planning phase, the Indian vice president pointed out that because Indian food is served hot and employees would expect to receive hot meals for lunch, building a cafeteria that served only sandwiches would create dissatisfied employees. By opening the lines of communication in the planning phase of the project, Convergys was alerted to this important cultural difference in time to change the plans. Fisher, A. (2005, January 24). Offshoring could boost your career. *Fortune*, 151(2), 36.

### Recognize That Culture Changes

Cultures are not static—they evolve over the years. A piece of advice that was true 5 years ago may no longer hold true. For example, showing sensitivity to the Indian caste system may be outdated advice for those internationals doing business in India today.

18. The belief that one's own culture is superior to other cultures one comes across.

### Do Not Always Assume That Culture Is the Problem

When doing business internationally, failure may occur due to culture as well as other problems. Attributing all misunderstandings or failures to culture may enlarge the cultural gap and shift the blame to others. In fact, managing people who have diverse personalities or functional backgrounds may create misunderstandings that are not necessarily due to cultural differences. When marketing people from the United States interact with engineers in India, misunderstandings may be caused by the differences in perceptions between marketing and engineering employees. While familiarizing employees about culture, emphasizing the importance of interpersonal skills regardless of cultural background will be important.

#### KEY TAKEAWAY

With the increasing prevalence of international business as well as diversification of the domestic workforce in many countries, understanding how culture affects organizational behavior is becoming important. Individualism-collectivism, power distance, uncertainty avoidance, and masculinity-femininity are four key dimensions in which cultures vary. The position of a culture on these dimensions affects the suitable type of management style, reward systems, employee selection, and ways of motivating employees.

#### EXERCISES

1. What is culture? Do countries have uniform national cultures?
2. How would you describe your own home country's values on the four dimensions of culture?
3. Reflect on a time when you experienced a different culture or interacted with someone from a different culture. How did the cultural differences influence your interaction?
4. How does culture influence the proper leadership style and reward system that would be suitable for organizations?
5. Imagine that you will be sent to live in a foreign country different from your own in a month. What are the types of preparations you would benefit from doing?

## 2.4 The Role of Ethics and National Culture

### LEARNING OBJECTIVES

1. Consider the role of diversity for ethical behavior.
2. Consider the role of national culture on diversity.

### Diversity and Ethics

When managing a diverse group of employees, ensuring the ethicality of organizational behavior will require special effort. This is because employees with different backgrounds or demographic traits may vary in their standards of ethics. For example, research shows that there are some gender differences when it comes to evaluating the degree of ethicality of hypothetical scenarios, with women utilizing higher standards. Men and women seem to have similar standards when judging the ethicality of monetary issues but differ on issues such as the ethicality of breaking organizational rules. Interestingly, gender differences seem to disappear as people grow older. Age is another demographic trait that influences the standards of ethics people use, with older employees being bothered more by unethical behaviors compared to younger employees. Similarly, one study showed that older respondents found some questionable negotiation behaviors such as misrepresenting information and bluffing to be more unethical compared to younger respondents. Deshpande, S. P. (1997). Manager's perception of proper ethical conduct: The effect of sex, age, and level of education. *Journal of Business Ethics*, 16, 79–85; Franke, G. R., Crown, D. F., & Spake, D. F. (1997). Gender differences in ethical perceptions of business practices: A social role theory perspective. *Journal of Applied Psychology*, 82, 920–934; Peterson, D., Rhoads, A., & Vaught, B. C. (2001). Ethical beliefs of business professionals: A study of gender, age, and external factors. *Journal of Business Ethics*, 31, 225–231; Volkema, R. J. (2004). Demographic, cultural, and economic predictors of perceived ethicality of negotiation behavior: A nine-country analysis. *Journal of Business Research*, 57, 69–78.

In addition to demographic diversity, cultural diversity introduces challenges to managing ethical behavior, given that cultures differ in the actions they view as ethical. Cultural differences are particularly important when doing cross-cultural business. For example, one study compared Russian and American subjects on their reactions to ethics scenarios. Americans viewed scenarios such as an auditing company sharing information regarding one client with another client as more unethical compared to how Russian subjects viewed the same scenarios. Beekun, R. I., Stedham, Y., Yamamura, J. H., & Barghouti, J. A. (2003). Comparing business

ethics in Russia and the U.S. *International Journal of Human Resource Management*, 14, 1333–1349. A study comparing U.S., Korean, and Indian managers found differences in attitudes toward business ethics, particularly with Koreans thinking that being ethical was against the goal of being profitable. Indian and Korean subjects viewed questionable practices such as software piracy, nepotism, or the sharing of insider information as relatively more ethical compared to subjects in the United States. At the same time, Korean and Indian subjects viewed injury to the environment as more unethical compared to the U.S. subjects. Christie, P. J., Kwon, I. W., Stoeberl, P. A., & Baumhart, R. (2003). A cross-cultural comparison of ethical attitudes of business managers. *Journal of Business Ethics*, 46, 263–287. In other words, the ethical standards held in different societies may emphasize different behaviors as ethical or unethical.

When dealing with unethical behavior overseas, companies will need to consider the ethical context. Having internal reporting mechanisms may help, but research shows that in very high power distant societies, these mechanisms often go unused. MacNab, B., MacLean, J., Brislin, R., Aguilera, G. M., Worthley, R., Ravlin, E., et al. (2007). Culture and ethics management: Whistle-blowing and internal reporting within a NAFTA country context. *International Journal of Cross-Cultural Management*, 7, 5–28. Even when a multinational company has ethical standards that are different from local standards, using the headquarters' standards in all cross-cultural interactions will not be possible or suitable. The right action often depends on the specifics of the situation and a consideration of the local culture. For example, in the 1990s, Levi-Strauss & Company found that some of its contractors in Bangladesh were using child labor consisting of children under 14 years old in its factories. One option they had was to demand that their contractors fire those children immediately. Yet, when they looked at the situation more closely, they found that it was common for young children to be employed in factories, and in many cases these children were the sole breadwinners in the family. Firing these children would have caused significant hardship for the families and could have pushed the children into more dangerous working conditions. Therefore, Levi-Strauss reached an agreement to send the children back to school while continuing to receive their wages partly from the contractor companies and partly from Levi-Strauss. The school expenses were met by Levi-Strauss and the children were promised work when they were older. In short, the diverse ethical standards of the world's cultures make it unlikely that one approach can lead to fair outcomes in all circumstances.

### **Diversity Around the Globe**

Demographic diversity is a fact of life in the United States. The situation is somewhat different in other parts of the world. Attitudes toward gender, race,

disabilities, or sexual orientation differ around the world, and each country approaches the topic of diversity differently.

As a case in point, Japan is a relatively homogeneous society that sees the need to diversify itself. With the increasing age of the population, the country expects to lose 650,000 workers per year. At the same time, the country famously underutilizes female employees. Overt sexism is rampant, and stereotypes about female employees as unable to lead are part of the culture. While there is antidiscrimination legislation and the desire of the Japanese government to deal with this issue, women are seriously underrepresented in management. For example, while 25% of all Hewlett-Packard Development Company managers in the United States are female, in Japan this number is around 4%. Some companies such as Sanyo Electric Co. Ltd. have female CEOs, but these companies are generally considered exceptions. Because of the labor shortage, the country is attracting immigrants from South America, thereby increasing the level of diversity of the country and increasing awareness of diversity-related issues. Kelly, T. (2008). Rio de Janeiro. *Forbes Asia*, 4(13), 39–40; Woods, G. P. (2005, October 24). Japan's diversity problem: Women are 41% of work force but command few top posts; A "waste," says Carlos Ghosn. *Wall Street Journal*, p. B1.

Attitudes toward concepts such as affirmative action are also culturally determined. For example, France experiences different employment situations for employees with different backgrounds. According to one study conducted by a University of Paris professor in which fake résumés were sent to a large number of companies, even when all qualifications were the same, candidates with French-sounding names were three times more likely to get a callback compared to those with North African-sounding names. However, affirmative action is viewed as unfair in French society, leaving the situation in the hands of corporations. Some companies such as PSA Peugeot Citroën started utilizing human resource management systems in which candidate names are automatically stripped from résumés before HR professionals personally investigate them. Valla, M. (2007, January 3). France seeks path to workplace diversity: Employers, politicians wrestle with traditions that make integration a difficult process. *Wall Street Journal*, p. A2. In summary, due to differences in the legal environment as well as cultural context, "managing diversity effectively" may carry a different meaning across the globe.

### KEY TAKEAWAY

Ethical behavior is affected by the demographic and cultural composition of the workforce. Studies indicate that men and women, as well as younger and older employees, differ in the types of behaviors they view as ethical. Different cultures also hold different ethical standards, which become important when managing a diverse workforce or doing business within different cultures. Around the globe, diversity has a different meaning and different overtones. In addition to different legal frameworks protecting employee classes, the types of stereotypes that exist in different cultures and whether and how the society tackles prejudice against different demographic categories vary from region to region.

### EXERCISES

1. Do you believe that multinational companies should have an ethics code that they enforce around the world? Why or why not?
2. How can organizations manage a workforce with diverse personal ethical values?

## **2.5 Managing Diversity for Success: The Case of IBM**

Figure 2.11



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When you are a company that operates in over 170 countries with a workforce of over 398,000 employees, understanding and managing diversity effectively is not optional—it is a key business priority. A company that employs individuals and sells products worldwide needs to understand the diverse groups of people that make up the world.

Starting from its early history in the United States, IBM Corporation (NYSE: IBM) has been a pioneer in valuing and appreciating its diverse workforce. In 1935, almost 30 years before the Equal Pay Act guaranteed pay equality between the sexes, then IBM president Thomas Watson promised women equal pay for equal work. In 1943, the company had its first female vice president. Again, 30 years before the Family and Medical Leave Act (FMLA) granted women unpaid leave for the birth of a child, IBM offered the same benefit to female employees, extending it to one year in the 1960s and to three years in 1988. In fact, the company ranks in the top 100 on *Working Mother* magazine’s “100 Best Companies” list and has been on the list every year since its inception in 1986. It was awarded the honor of number 1 for multicultural working women by the same magazine in 2009.

IBM has always been a leader in diversity management. Yet, the way diversity was managed was primarily to ignore differences and provide equal employment opportunities. This changed when Louis Gerstner became CEO in 1993.

Gerstner was surprised at the low level of diversity in the senior ranks of the company. For all the effort being made to promote diversity, the company still had what he perceived a masculine culture.

In 1995, he created eight diversity task forces around demographic groups such as women and men, as well as Asians, African Americans, LGBT (lesbian, gay, bisexual, and transgender) individuals, Hispanics, Native Americans, and employees with disabilities. These task forces consisted of senior-level, well-respected executives and higher-level managers, and members were charged with gaining an understanding of how to make each constituency feel more welcome and at home at IBM. Each task force conducted a series of meetings and surveyed thousands of employees to arrive at the key factors concerning each particular group. For example, the presence of a male-dominated culture, lack of networking opportunities, and work-life

management challenges topped the list of concerns for women. Asian employees were most concerned about stereotyping, lack of networking, and limited employment development plans. African American employee concerns included retention, lack of networking, and limited training opportunities. Armed with a list of priorities, the company launched a number of key programs and initiatives to address these issues. As an example, employees looking for a mentor could use the company's Web site to locate one willing to provide guidance and advice. What is probably most unique about this approach is that the company acted on each concern whether it was based on reality or perception. They realized that some women were concerned that they would have to give up leading a balanced life if they wanted to be promoted to higher management, whereas 70% of the women in higher levels actually had children, indicating that perceptual barriers can also act as a barrier to employee aspirations. IBM management chose to deal with this particular issue by communicating better with employees as well as through enhancing their networking program.

The company excels in its recruiting efforts to increase the diversity of its pool of candidates. One of the biggest hurdles facing diversity at IBM is the limited minority representation in fields such as computer sciences and engineering. For example, only 4% of students graduating with a degree in computer sciences are Hispanic. To tackle this issue, IBM partners with colleges to increase recruitment of Hispanics to these programs. In a program named EXITE (Exploring Interest in Technology and Engineering), they bring middle school female students together for a weeklong program where they learn math and science in a fun atmosphere from IBM's female engineers. To date, over 3,000 girls have gone through this program.

What was the result of all these programs? IBM tracks results through global surveys around the world and identifies which programs have been successful and which issues no longer are viewed as problems. These programs were instrumental in more than tripling the number of female executives worldwide as well as doubling the number of minority executives. The number of LBGT executives increased sevenfold, and executives with disabilities tripled. With growing emerging markets and women and minorities representing a \$1.3 trillion market, IBM's culture of respecting and appreciating diversity is likely to be a source of competitive advantage.

Case written by [citation redacted per publisher request]. Based on information from Ferris, M. (2004, Fall). What everyone said couldn't be done: Create a global women's strategy for IBM. *The Diversity Factor*, 12(4), 37-42; IBM hosts second annual Hispanic education day. (2007, December-January). *Hispanic Engineer*, 21(2), 11; Lee, A. M. D. (2008, March). The power of many: Diversity's competitive advantage. *Incentive*, 182(3), 16-21; Thomas, D. A. (2004, September). Diversity as strategy. *Harvard Business Review*, 82(9), 98-108.

## DISCUSSION QUESTIONS

1. IBM has been championed for its early implementation of equality among its workforce. At the time, many of these policies seemed radical. To IBM's credit, the movement toward equality worked out exceptionally well for them. Have you experienced policy changes that might seem radical? Have these policies worked out? What policies do you feel are still lacking in the workforce?
2. If you or your spouse is currently employed, how difficult would it be to take time off for having a child?
3. Some individuals feel that so much focus is put on making the workplace better for underrepresented groups that the majority of the workforce becomes neglected. Do you feel this was the case at IBM? Why or why not? How can a company ensure that *no* employee is neglected, regardless of demographic group?
4. What types of competitive advantages could IBM have gained from having such a diverse workforce?

## 2.6 Conclusion

In conclusion, in this chapter we reviewed the implications of demographic and cultural diversity for organizational behavior. Management of diversity effectively promises a number of benefits for companies and may be a competitive advantage. Yet, challenges such as natural human tendencies to associate with those similar to us and using stereotypes in decision making often act as barriers to achieving this goal. By creating a work environment where people of all origins and traits feel welcome, organizations will make it possible for all employees to feel engaged with their work and remain productive members of the organization.

## 2.7 Exercises

### ETHICAL DILEMMA

You are working for the police department of your city. When hiring employees, the department uses a physical ability test in which candidates are asked to do 30 push-ups and 25 sit-ups, as well as climb over a 4-foot wall. When candidates take this test, it seems that about 80% of the men who take the test actually pass it, while only 10% of the female candidates pass the test. Do you believe that this is a fair test? Why or why not? If you are asked to review the employee selection procedures, would you make any changes to this system? Why or why not?

### INDIVIDUAL EXERCISE

A colleague of yours is being sent to India as a manager for a call center. She just told you that she feels very strongly about the following issues:

- Democratic leaders are the best leaders because they create a more satisfied workforce.
- Employees respond best to individual-based pay incentives and bonuses as tools for motivation.
- Employees should receive peer feedback about their performance level so that they can get a better sense of how well they are performing.

After doing some research on the business environment and national culture in India, how would you advise your colleague to behave? Should she try to transfer these three managerial practices to the Indian context? Why or why not?

## GROUP EXERCISE

### Diversity Dilemmas

Imagine that you are working in the HR department of your company. You come across the following scenarios in which your input has been sought. Discuss each scenario and propose an action plan for management.

1. Aimee is the mother of a newborn. She is very dedicated to her work but she used to stay for longer hours at work before she had her baby. Now she tries to schedule her work so that she leaves around 5:00 p.m. Her immediate manager feels that Aimee is no longer dedicated or committed to her work and is considering passing her over for a promotion. Is this decision fair?
2. Jack is a married male, while John is single. Your company has an assignment in a branch in Mexico that would last a couple of years. Management feels that John would be better for this assignment because he is single and is free to move. Is this decision fair?
3. A manager receives a request from an employee to take off a Wednesday for religious reasons. The manager did not know that this employee was particularly religious and does not believe that the leave is for religious reasons. The manager believes that the employee is going to use this day as a personal day off. Should the manager investigate the situation?
4. A sales employee has painful migraines intermittently during the work day. She would like to take short naps during the day as a preventative measure and she also needs a place where she can nap when a migraine occurs. Her immediate manager feels that this is unfair to the rest of the employees.
5. A department is looking for an entry-level cashier. One of the job applicants is a cashier with 30 years of experience as a cashier. The department manager feels that this candidate is overqualified for the job and is likely to be bored and leave the job in a short time. Instead, they want to pursue a candidate with 6 months of work experience who seems like a better fit for the position.