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Towards a competitive advantage and citizen behavior

Through Diversity,

Transformational leadership and Change

## Introduction

Diversity has become a reality today and an imperative while organizations and societies are going more and more global, looking for competitiveness globally. Diversity is no longer considered as an obligation but represents both an essential attitude in respecting and valuing individual differences and an opportunity for organizations to enhance innovation from the huge potential of various contributions.

Diversity is focusing on inclusive workplace that allows people impact the decision process: Anti-discrimination compliance is no longer the main purpose; leveraging diversity is the priority and the strategic objective that requires a transformation of the organization and its culture.

The paper will stress the need for the organizational change that will produce diversity outcomes and mainly added value on one hand, diversity is implemented as a challenge for organizations and groups on the other hand, helping them move to more creative groups and multicultural organizations. Diversity can make the needed changes happen and leadership skills become critical especially in collapsing systems.

### **Diversity: Opportunities for business organizations, the wider economy and the society**

The concept of diversity has evolved these last two decades and perceptions and attitude are changing: Diversity is no longer viewed as an obligation to comply with anti-discrimination policies and regulations, but as an opportunity; however, the challenges to transform the organization are ahead.

Both academic and practitioners agree that diversity brings significant opportunities. To mention a few:

- Diversity helps organizations and managers access to more and diverse information bringing different points of view, perceptions and perspectives. Therefore, it provides a larger choice, several options and makes decision making richer that can better adapt and face the uncertainty of the market.
- Organizations are learning systems and technology is deeply transforming organizations as the skills and talents are more and more challenging the structure and culture of organizations and putting a huge pressure on the decision making process.

- Decision making is no longer a top down and one way process where a few people control, think, decide and the majority execute and implement. Higher quality decision making is required to meet the growing expectations of diverse talents and skilled people. Diversity is an opportunity to improve the quality and the effectiveness of decision making so that it better meets the global market.
- Diversity is critical for innovation and creativity: Innovation will be the main differentiator between organizations and the most significant source of competitiveness: Innovative products and services, innovative ways to manage people will be required to stay in the market and attract and retain talents.
- Organizations, to be effective, are targeting different segments of customers, countries and cultures; customized outcomes and services are needed. Diversity in the workplace and in the decision making process will make the difference and help find the right answer for the different segments and requirements.

At the global and societal level, the rapid technological change, the demand for skills, talents and education, the aging workforce in western countries and greater ethnic diversification are changing the employment landscape and the model of social relations: Power distribution and social justice are becoming the challenges for the coming years. Diversity will play a major role in these shifts towards more social justice through a different distribution of power, an inclusive workplace and more harmonious society.

### **Understanding the paradoxical shifts, the imperative of social justice through diversity.**

Facing the challenges and transforming diversity in opportunities will require a deep understanding of the global and paradoxical shifts. ( OttoScharmer, 2009).

One of the critical shift is the technology and the economic shift: Technology and the new information and communication technology are wiping out the borders and their constraints leading to the global economy. No country can sustain a self-sufficient economy and survive decently out of the global economy. The rise of the global economy is a reality and an imperative. At the same time, the social and economic divide is increasing; therefore, the growing gap between rich and poor might endanger the harmonious development and question the globalization process itself.

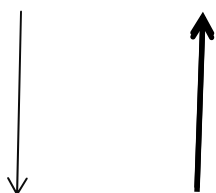
The other shift is the relational shift which has two dimensions and sides: The rise of network economy and social relations and the increase of the power of social networking due to a wider access to information and decisions. At the same time, the governance gap is deepening: The 21<sup>st</sup> challenges and expectations are facing 19<sup>th</sup> century decision making mechanisms: The end of west centric model is still in power against the rise of Asian and other countries perspectives.

The global shift in consciousness leading to the rise of new awareness through civil society, NGO and spiritual trend. This shift is provoking a cultural divide which might create severe conflicts.

Understanding these paradoxical shifts can help organizations find the best way of implementing diversity and overcome the dark side of the global economy.

Figure 1: Paradoxical shifts

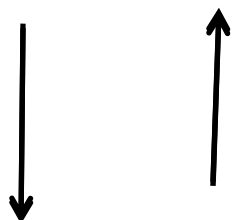
**Technology/economy shift:**



Rise of global economy.

Social/Economic DIVIDE: Poor/Rich gap.

**Relational Shift:**



Rise of Network Economy and wide/Mass access

To information

Governance gap: 21<sup>st</sup> Challenges vs 19<sup>th</sup> Mechanisms.

**Global shift in Consciousness:**

Rise of New Awareness: Civil society, human rights..

SPIRITUAL Trend

Cultural Divide: Modern vs traditional values.

The global paradoxical shifts and the interaction between them will have two main effects:

The imperative of power distribution at different levels and the change of the nature of social relations.

Today unequal distribution of power is questioned by the rising civil society partners. Diversity means voicing the differences.

Inclusive process through participation of diverse ideas and perspectives.

Transforming diversity into a competitive advantage and an opportunity will require an effective approach to introduce and implement diversity.

### **Introducing and implementing diversity:**

**A defensive and top down approach:** This approach has been valued and prioritized by most of the western countries: The French Model is clearly a top down model based on the assumption that only individuals are considered whatever their ethnicity, religion or culture. All individuals are free, equal and enjoy the same rights and duties in a secular State and society. The US example is a top down model though more decentralized due to the political system. The other example or model is the British one: it recognizes communities whose individuals belong to. Each community has the required autonomy to manage its members using specific rules.

### **Two traditional schools of thought are behind many diversity initiatives:**

- The first one is the assimilation approach that aims at promoting equal opportunity. This approach is based on the assumption that we are all the same. Laws have been decided to impose this approach in the behaviors, in the organizations and the society.
- The other top down approach is the differentiation which consists in celebrating the differences; legislation has been adopted to introduce changes: Age discrimination, gender discrimination, affirmative action programs....

**The limits of the legal and top down model:** The legal compliance and anti-discrimination actions, focusing particularly gender, visible minorities, have brought many significant changes in the social relations and perceptions between communities: Gender equality has improved as has improved the attitude towards black people and other members of minorities. However, despite the positive effects, the top down approach has not reached the expected results: Women and visible minorities members, and physically challenged people not only have not got the same rights, particularly in terms of employment, salaries, but are still victims of stereotypes and stigmas.. As an example, 6% of employees should come from disabled people, but in the reality, only an average of 2% has been reached in France where women continue to be discriminated in terms of salaries. Unemployment is affecting much more members of visible minorities. At the societal level, this situation is generating conflicts, violence; more importantly a huge proportion of people is left behind and is not given the opportunity to contribute to the development.

**A proactive approach:** To overcome these problems and prevent a deterioration of the social relations, initiatives have been undertaken by top managers to enhance diversity from the bottom. "A chart of Diversity" has been suggested to organizations in 2004 by the CEOs of prestigious organizations such as BNP-Paribas, AXA, Renault, Peugeot-PSA.... The purpose was to involve managers and organizations and make diversity an opportunity and an added value. 3200 organizations have signed this CHART, so far. Once a year a survey is undertaken to assess the achievements and help organizations solve problems to increase the effectiveness of diversity.

Many significant results have been achieved as shown in the 2011 survey: (The Chart Of Diversity, 2011):

## Reasons for introducing Diversity:

Links with CSR.	75%.
Ethical Reason.	62%.
Manager conviction.	65%.
Conformance with law.	43%.
Improving the image.	45%.
Improving HR role.	41%.
Improve Performance.	22%.

## Objectives;

Sensitizing/Training;

HR and Anti-discrimination behavior:

Hiring: 70% have some formalized policy.

Personal development.

Social dialogue

Communication

Assessment of activities through different dashboards, indicators..

## Priorities and achievements:

1/ Age: More and more seniors are employed even if differences exist between countries. The best performance have been achieved in Germany, Sweden, Denmark..

2/ Gender issue: Women have equal rights in employment, but are still struggling for equality in salaries and top management positions.

3/ Disabilities; Despite an increase of awareness of the necessity to hire disabled people, many organizations are far behind the target of 6%.

Links with CSR, ethical reason and manager convictions are the most important factors and reasons to introduce and implement diversity. Most of the organizations and managers believe that diversity will enhance ethical behavior. However, one of the concerns is that 78% of the organizations fail to link diversity to performance. This is a significant reason why diversity has not widely been implemented. Another concern is the difficulties many people from minorities face to find jobs: Two main reasons explain these mixed results:

- Discrimination against minorities and other religious communities, though significantly decreased is still an obstacle in the employment process. Many organizations prefer to hire “known” people to reduce fear and risk.
- Cultural resistance: Employees and many managers still have hostile attitudes towards cultural differences. This is particularly strong in monolithic organizations where power and decision making is concentrated in the hands of a dominant group.

A research conducted by Distefano and Makevski, (Organizational dynamics), has shown how teams are resisting and excluding differences:

**Model of teams and diversity**: Adapted from: Distefano and Makevski, Organizational dynamics, 2000.

**Three different of teams and models of teams have been highlighted:**

- **Destroyers**: Teams as disasters: In these teams cultural differences are avoided and members from other minorities are either totally absorbed or marginalized. Any difference is considered as intrusion. Mistrust, jealousy and information retention are the dominant features of this kind of groups: Many examples of clashes can be observed in merger/acquisition, alliance and restructuring such as in the cases of Air-France/KLM alliance, Cogema, BNP/Paribas....Where many stereotypes such as: Brits too serious, Germans too technical, Chinese too secret, prevent teams from learning from their differences and functioning effectively. Therefore better avoid diverse teams.
- **Equalizers**: These teams accept to include and handle differences but manage to keep them under control; The objective is to suppress any influence due to differences by smoothing the process to build and reach compromise. Better an average than a clash raised by too strong differences. The motto is: We accept differences that cause no turbulence. Most of the business schools reproduce this model and miss the added value that differences could bring: They interact with foreign students but learn very little. International interactions and the number of foreigners is important for the accreditation system.
- This model is the most frequently used model. No change should happen despite the changes,

- **The Creators**: This is the real but rare diverse team: Differences are not only recognized, accepted, but nurtured and members are encouraged to voice their differences to help change happen. Differences are incorporated to change the decision process and not maintaining the status quo.

The model of global team depends on the corporate culture and leadership skills. The process of enhancing diversity can influence the organizations to shift from monolithic to multicultural.

Taylor/Cox suggested a typology that can highlight the characteristics of culture and the links with diversity.

**Figure 2: Organizational culture and diversity.**

	<u>Features/ composition</u>	<u>Decision Making</u>
• <b>Monolithic Organization</b>	Little/No diverse teams One Majority group (white Men)	Concentrated. Others are expected  To conform dominant values.
• <b>Pluralistic organization</b>	More diverse groups.  Hiring/Promoting and program of minorities.	Some influence.  Alignment required.
• <b>Multicultural organization</b>	Diverse groups and diversity valued.  Mutual learning, shared values and norms.	Differences incorporated  In decisions. Open culture.

Adapted from: Cox, T: Cultural diversity in Organizations, Berrett, CA, 2004.

## **Diversity and cultural change through leadership:**

Figure 2 and Cox typology shows that diversity could be an outcome if teams are encouraged and cultural openness translated organizational structure and behaviors. To become multicultural, organizations have to introduce changes in its values and decision making process. Leadership skills are critical to facilitate this change process and transformation of the organization so that diversity becomes an opportunity and bring the expected added value. Demographic change that happens from monolithic to pluralistic is an important step but not enough to transform the organization: Pluralistic organization can be the outcome of a defensive strategy that consist sin conforming with the legal approach imposed by governments. Multicultural organization is the result of strategic decision and leadership. Diversity is understood as an imperative to improve the organization performance and its global competitiveness.

## **Creating value from diversity: the critical role of leadership**

Most of the organizations are still monolithic with concentration of power and decision making in the hands of the same group of managers who could not understand the crises and their causes. OttoScharmer (the U organization) explained this model of organization by the lack of leadership skills and qualities in what he call the “Collapsing system” s:

- Not seeing what is going on.
- Not seeing the consequences of one's actions and no feedback mechanism is available for that.
- No capacity for sensing and sticking on old self-image.
- Not serving the evolving whole. ...
- Obsessed and blinded by the short term.

The change process that leadership can enhance start from awareness to reach social consciousness that help understand diversity as an opportunity and added value instead of a hurdle or threat.

The challenge of ethical leadership is becoming a ubiquitous issue for executives and academics. Addressing public concerns about various strategies and approaches for developing ethical leadership skills. Ethics, values, leadership and trust are timely issues of critical importance to managers attempting to recover from substantial downturn in the national and global economies and societies.

## **Concluding remarks:**

### Diversity questions two majors points:

- It questions power and power distribution which explains social injustice. In our understanding, social justice should be a way of rectifying social and economic fractures to reach a better distribution of power. This can happen within the organizations through leadership and diversity can be a strong and effective opportunity to make it happen. It is happening as well from external organizations and the civil society. The current model of governance as we mentioned in the teams models and monolithic organizations is silencing the voices of differences and prevent from understanding the changes. Leadership should listen and sense the rising expectations and take advantage of these different voices making partners and engaging in a long term transformation process that can benefit both the organization and the society as a whole.
- Diversity questions the structure and culture of the organizations: Organizations are still monolithic and many of them going bankrupt. Transforming the organization into multicultural can help integrating the differences and enrich the decision making process. Organizations will become inclusive not in a passive and defensive way but proactive and strategic approach so that diversity can become an added value and not a burden imposed from the environment.

Workplace diversity is taking a new face and is no longer about anti-discrimination compliance. Leveraging diversity is the vital strategic resource for competitive advantage and citizen behavior, balancing profitability with societal requirements.