SECTION I

Introduction, Legislation, and Theories

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Introduction

Chapter Objectives

After completing this chapter, readers should have a firm understanding of the importance of diversity in organizations. They should specifically be able to:

- explain recent and projected changes in the demographic makeup of the U.S. population.
- explain what “diversity” encompasses.
- discuss research supportive of the individual and organizational benefits of diversity.
- understand the rationale and structure behind the organization of the book.

Key Facts

After more than two decades of diversity research, four decades of antidiscrimination legislation, and extraordinary media attention to diversity, discrimination and exclusion in organizations persist.

Valuing diversity can benefit organizations in the areas of cost, resource acquisition, marketing, creativity, problem solving, and system flexibility, and individuals through intellectual engagement, perspective taking, and greater understanding of the implications and benefits of diversity.

Despite the amount of media attention focusing on lawsuits and damage settlements, an organization’s likelihood of being sued is relatively small.

If an organization develops a reputation for valuing all types of employees, it will become known as an employer of choice, increasing its ability to attract and retain workers from a variety of backgrounds.
**Introduction and Overview**

**What is Diversity?**

Diversity is defined as real or perceived differences among people that affect their interactions and relationships.\(^1\) Drawn from more than two decades of theoretical and empirical research in management, psychology, social psychology, sociology, and economics, this book focuses on real or perceived differences among people in race, ethnicity, sex, religion, age, physical and mental ability, sexual orientation, work and family status, and weight and appearance. These areas are differences that are based on power or dominance relations between groups, particularly “identity groups,” which are the collectivities people use to categorize themselves and others.\(^2\) They are often readily apparent, strong sources of personal identity, and stem from historical disparities in treatment, opportunities, and outcomes. Some diversity research has considered diversity in functional area, education, tenure, values, and attitudes as they affect people’s organizational experiences. While these areas may also be sources of real or perceived differences among people that affect their interactions and relationships, they are rarely readily apparent or strong sources of personal identity and generally do not stem from historical disparities in treatment, opportunities, or outcomes. Focusing on any individual difference, rather than differences having strong personal meaning and stemming from or coinciding with significant power differences among groups, would make all groups diverse, and would therefore make the entire concept of workplace diversity meaningless.\(^3\)

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\(^{3}\) Ibid., p. 7.


The categories of race, ethnicity, sex, religion, age, physical and mental ability, and sexual orientation are not mutually exclusive, however. Men and women have a race and ethnic background, an age, a sexual orientation, and possibly a religion. Further, some of the categories are immutable, but others are not, and may change over one’s lifetime. People may be born with or acquire disabilities, and everyone ages. A person who is dominant in one group may not be in another, for example, White and female or male and Latino. A White man may have a disability, be an older worker, or a member of another nondominant group and personally experience job-related discrimination. He may also have a working wife, mother, or sister who has faced sex-based salary inequity or harassment or a daughter or granddaughter whom he would prefer did not have to face such discrimination at work. In addition, diversity research consistently suggests that top management commitment is required to effect change. White men are considerably more likely to occupy leadership positions (executives, board members, or managers) than others. As such, they are more likely to have the power to implement important changes at the organizational level and influence behaviors and perspectives about the overall benefits of diversity; their commitment to diversity is essential.

**Misperception:** Diversity is beneficial only to minorities and women.

**Reality:** Diversity benefits everyone.

Although we emphasize and data clearly show that some groups (people of color, women, and people with disabilities) face more barriers and organizational discrimination, the value of diversity to everyone is stressed in this book. As does Roosevelt Thomas, a pioneer in diversity work, we suggest that “managing diversity is a comprehensive managerial process for developing an environment that works for all employees.” At the same time, it is naïve to ignore the fact that membership in some groups or that some combinations of memberships (e.g., woman of color) have more negative ramifications for job-related opportunities and success than others. Commitment to diversity requires concerted measures to recognize, acknowledge, and address historical discrimination and differential treatment, rather than undermining diversity programs or efforts to address inequities in the name of inclusiveness. The research and recommendations in this book make apparent the need to consider the past and present while working toward a more diversity-friendly future.

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The organizations for which this book is relevant include large and small companies covered by federal legislation, colleges and universities, religious organizations (e.g., churches), military organizations, and any others in which people work, wish to work, or that have clients, customers or constituents. Although some organizations are allowed to prefer certain types of people as employees (e.g., churches, private clubs), many of the concepts in this book are also relevant to such organizations and can benefit their leaders. For example, a religious organization may legally require that employees be members of a particular faith, yet such an organization will still likely have employees who have work and family issues or may wrestle with ordination of women or sexual minorities. Similarly, the U.S. military is a unique, historically male organization, yet its issues with sexual harassment and sexual orientation diversity can provide information that is helpful to other types of organizations. As will be apparent from the breadth of organizations included in the book, some aspect of diversity affects all organizations at some point in time.

**Terminology**

In this book, when referring to the U.S. population, the following terms are used somewhat interchangeably: sex/gender, Blacks/African Americans, Latinos/Hispanics, Asians/Asian Americans/Asians and Pacific Islanders, Whites/Anglos/European Americans/Caucasians, and people of color/minorities. Although the linked terms are not exactly the same (e.g., sex is biological while gender is socially constructed), they are widely recognized, their meanings are generally well understood, and they are often used interchangeably.

Despite the common and often interchanged use of these terms, there are important differences among them. Indeed, some researchers have persuasively argued that the ambiguity and fluidity of terminology render “race” and “ethnicity” almost meaningless. Ethnicity refers to a shared national origin or a shared cultural heritage among people. On the other hand, like gender, “race is socially constructed to denote boundaries between the powerful and less powerful,” and is often defined by the more powerful, dominant group. The social constructions of race are reflected in the changes in terminology of categories used by the U.S. Census Bureau over the years.

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Latinos may be of any race, and people may be of more than one racial or ethnic background. There are also considerable differences between Asians who are from Korea and those from India or Vietnam and between Black Americans and South African Blacks. Although all are categorized as Latinos, there are substantial differences in the diversity-related experiences of Mexican Americans and Puerto Ricans and between Black Nicaraguans and White Colombians. Ambiguity also surrounds the term “Asian.” Is it an ethnicity, since ethnicity refers to a shared national origin, or is it a race? We explore these and other complexities related to race, ethnicity, sex, and gender and their effects on individuals in organizations in the relevant chapters.

**The Stimulus: Workforce 2000**

In 1987, the Hudson Institute published Johnston and Packer’s research on the changes in the nature of work and in the demographic background of workers in the twenty-first century. Their research sent shock waves into organizations and the media and the book became a best seller. Johnston and Packer noted that by the year 2000, 85% of the net new entrants to the U.S. workforce would be women and minorities. This statement was often quoted, and was widely misunderstood to mean that by 2000, White men would only constitute 15% of the workforce. However, White men were then and still remain the largest single group in the labor force. It was the net new entrants who were increasingly women and people of color. The term “net new entrants” refers to the difference between those who entered the workforce (newcomers to the workforce) and those who left the workforce (e.g., via retirements, death, etc.). Although women and people of color would comprise 85% of the net new entrants, because of the immense size of the workforce and the single majority of White men in the workforce, it will be a very long time before White men are no longer the largest single group. This misunderstanding or misinterpretation of terminology and projections about the increasing diversity of the workforce fueled interest in the topic and prompted concerns about the organizational ramifications of these changing demographics.

In 1997, the Hudson Institute published *Workforce 2020*, which again predicted changes in work and in workforce demographics, but for the year 2020, and attempted to clarify some of the misunderstandings about their earlier publication. Importantly, they emphasized that about 66% of the workforce would continue to be non-Hispanic White men and women, 14% would be Latinos, 11% non-Hispanic Blacks, and 6% Asians. Most important to the demographics of *Workforce 2020*, they suggested, would be the aging of the baby boomers.

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Table 1.1. *Highlights from the Census 2000 Demographic Profiles (United States)*

<table>
<thead>
<tr>
<th>General Characteristics</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td>281,421,906</td>
<td>100.0</td>
</tr>
<tr>
<td>Male</td>
<td>138,053,563</td>
<td>49.1</td>
</tr>
<tr>
<td>Female</td>
<td>143,368,343</td>
<td>50.9</td>
</tr>
<tr>
<td>Median age (years)</td>
<td>35.3</td>
<td></td>
</tr>
<tr>
<td>Under 5 years</td>
<td>19,175,798</td>
<td>6.8</td>
</tr>
<tr>
<td>18 years and over</td>
<td>209,128,094</td>
<td>74.3</td>
</tr>
<tr>
<td>65 years and over</td>
<td>34,991,753</td>
<td>12.4</td>
</tr>
<tr>
<td>One race</td>
<td>274,595,678</td>
<td>97.6</td>
</tr>
<tr>
<td>White</td>
<td>211,460,626</td>
<td>75.1</td>
</tr>
<tr>
<td>Black</td>
<td>34,658,190</td>
<td>12.3</td>
</tr>
<tr>
<td>American Indian and Alaska Native</td>
<td>2,475,956</td>
<td>0.9</td>
</tr>
<tr>
<td>Asian</td>
<td>10,242,998</td>
<td>3.6</td>
</tr>
<tr>
<td>Native Hawaiian and other Pacific Islander</td>
<td>398,835</td>
<td>0.1</td>
</tr>
<tr>
<td>Some other race</td>
<td>15,359,073</td>
<td>5.5</td>
</tr>
<tr>
<td>Two or more races</td>
<td>6,826,228</td>
<td>2.4</td>
</tr>
<tr>
<td>Hispanic or Latino (of any race)</td>
<td>35,305,818</td>
<td>12.5</td>
</tr>
<tr>
<td>Average household size</td>
<td>2.59</td>
<td></td>
</tr>
<tr>
<td>Average family size</td>
<td>3.14</td>
<td></td>
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</tbody>
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<thead>
<tr>
<th>Social Characteristics</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population 25 years and over</td>
<td>182,211,639</td>
<td>100.0</td>
</tr>
<tr>
<td>High school graduate or higher</td>
<td>146,496,014</td>
<td>80.4</td>
</tr>
<tr>
<td>Bachelor’s degree or higher</td>
<td>44,462,605</td>
<td>24.4</td>
</tr>
<tr>
<td>Civilian veterans</td>
<td>26,403,703</td>
<td>12.7</td>
</tr>
<tr>
<td>With a disability (population 5 years and over)</td>
<td>49,746,248</td>
<td>19.3</td>
</tr>
<tr>
<td>Foreign born</td>
<td>31,107,889</td>
<td>11.1</td>
</tr>
<tr>
<td>Now married (population 15 years and over)</td>
<td>120,231,273</td>
<td>54.4</td>
</tr>
<tr>
<td>Speak a language other than English at home (population 5 years and over)</td>
<td>46,951,595</td>
<td>17.9</td>
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<tr>
<th>Economic Characteristics</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>In labor force (population 16 years and over)</td>
<td>138,820,935</td>
<td>63.9</td>
</tr>
<tr>
<td>Median household income in 1999 (dollars)</td>
<td>41,994</td>
<td></td>
</tr>
<tr>
<td>Per capita income in 1999 (dollars)</td>
<td>21,587</td>
<td></td>
</tr>
<tr>
<td>Families below poverty level</td>
<td>6,620,945</td>
<td>9.2</td>
</tr>
<tr>
<td>Individuals below poverty level</td>
<td>33,899,812</td>
<td>12.4</td>
</tr>
</tbody>
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Source: Adapted from U.S. Census Bureau, American FactFinder, http://factfinder.census.gov/servlet/SAFFFacts?_see+on, accessed 12/20/04.
Because the baby boomers would be retiring in large numbers then, worker age would plateau.

What has happened now that the year 2000 has come and gone and we are proceeding toward the year 2020? White men and women are about 75% of the workforce (men and women are 41% and 34%, respectively). Latinos (of all races) and non-Hispanic Blacks are both about 12% of the population, and Asians are about 4%. There are nearly 53 million workers aged 45 and over in the workforce. It appears that the current workforce is indeed more diverse than it was in the prior century, but Whites remain the largest numerical group.

In addition to the changes in the demographic makeup of employees, as the Hudson Institute predicted, economic changes and globalization have resulted in more service-oriented jobs and more international customers and business relationships. The loss of manufacturing jobs, where there is less opportunity for contact with dissimilar others, and the growth of service industry jobs, which involve considerable person-to-person interaction with dissimilar others, make awareness of and efforts to understand dissimilar others more critical than ever. Similarly, increasing globalization results in greater interaction among people from diverse backgrounds than in the past. Not only do employees work with peers in their local environment, they also work and travel around the world, interacting with people from different cultures and belief systems, and who often speak different languages.

Similar changes are occurring in many countries around the world. In the United States and Canada, workforce growth is slowing; aging workers are retiring and fewer younger workers are being added. In some European countries, Japan, and China the workforce is actually shrinking, and more people are leaving than joining the workforce. Developing nations are increasingly being seen as sources of new workers for many countries, many of which had historically resisted immigration.

**Diversity and Organizational Competitiveness**

What is the meaning of this increasing diversity for individuals and organizations? In their often-cited article on the implications of cultural diversity for organizational competitiveness, Taylor Cox and Stacy Blake proposed that there are six specific reasons that organizations should value diversity. They explained that effective management of diversity could benefit organizations in the areas of cost, resource acquisition, marketing, creativity, problem solving, and system flexibility.\(^{13,14}\) These areas have been cited in numerous management, marketing,
and organizational behavior textbooks, as well as news magazines and the popular press, and continue to shape thinking about the value of diversity. Although Cox and Blake focused their suggestions on diversity brought by women and people of color, their suggestions are also applicable to the effects of different aspects of diversity—such as age, religion, sexual orientation, and others considered in this book—on an organization’s competitiveness.

Figure 1.1 presents organizational and individual benefits of diversity identified by theoretical and empirical research. We consider these benefits in the following sections.

**Cost**

Costs associated with doing a poor job in integrating workers from different backgrounds can be extremely high. These costs are related to lower job satisfaction and subsequent turnover of women, minorities, and, we suggest, people of various religious faiths, gays and lesbians, and others whose contributions are devalued in organizations. Cox and Blake and other researchers have reported lower satisfaction and higher turnover of women and minorities when compared to men and Whites. This is an important organizational concern, particularly as the number of women and minorities in the workforce increases. If, along with women and minorities, workers from other devalued groups (such as those with child and/or

elder care responsibilities or people with disabilities) are dissatisfied and quit in response to negative organizational treatment, organizational costs related to turnover may be tremendous. Although the majority of research focuses on the turnover of women and minorities, Tsui, Egan, and O’Reilly found that increasing organizational diversity was associated with lowered attachment for Whites and males but not for women and minorities. It is possible that Whites and men in the study associated increasing sex and racial diversity with a lowering of the status of their organization, and thus felt less attachment to the organization. The possibility that increases in diversity may be associated with lower attachment and turnover for people of different backgrounds (e.g., Whites, people of color, men, and women) suggests that organizations should take proactive measures to address and circumvent these negative outcomes while maximizing the positive outcomes.

Costs associated with turnover include exit interviews, lost productivity while positions are unfilled, and recruiting costs for replacement employees. Average recruiting costs for professional positions are about $12,000 per hire. Organizations may find replacement more expensive than retaining current employees. This is particularly true when the learning curve and training costs of replacements are also considered. Specific organizational efforts to address needs of specific workers may minimize turnover. For example, research indicates that workers with child care responsibilities (women, and increasingly, men) have more organizational commitment and lower turnover when companies provide child care subsidies, on-site day care, or other child care support. In addition, education for all workers about the benefits of increasing diversity may reduce dissatisfaction and lowered attachment among employees.

Lastly, although many people think of the costs associated with doing a poor job of integrating workers as being largely related to discrimination lawsuits, Cox and Blake did not specifically include litigation expenses in their costs. Texaco’s $176 million class action racial discrimination settlement, Mitsubishi’s $34.5 million sexual harassment settlement, and other large discrimination damage awards were widely reported in the 1990s, striking fear in the minds of many organizational leaders. Despite the amount of media attention focusing on lawsuits and damage settlements, an organization’s likelihood of being sued is relatively small when compared with the continuing costs associated with low job satisfaction and high turnover. For example, the number of discrimination-related charges filed with the U.S. Equal Employment Opportunity Commission (EEOC) between 1992 and 2002 averaged about 80,000 per year. Although 80,000 is a substantial number of claims, it is very small relative to the number of firms

in the United States and relative to the 139 million people in the workforce. The majority of workers who feel they are treated unfairly, not valued, or discriminated against do not sue. Instead, they may simply leave the organization and tell their family and friends about their experiences, affecting the organization’s ability to attract other workers (e.g., resource acquisition).

*Misperception:* The risk of being sued for discrimination is fairly high.

*Reality:* An organization’s likelihood of being sued is very small.

**Resource Acquisition**

Cox and Blake described an organization’s ability to attract and retain employees from different backgrounds as resource acquisition. Employees from diverse backgrounds may include women, people of color, older workers, workers with disabilities, sexual minorities, and people from various religious faiths—workers who have often been overlooked as potential employees. As members of these groups represent an increasing proportion of the workforce, the need to consider them and to be able to attract and retain workers from nontraditional pools becomes more important. Cox and Blake proposed that if an organization develops a reputation for valuing all types of workers, it will become known as an employer of choice, increasing its ability to compete in tight labor markets. Empirical research provides support for the positive effects of heterogeneous recruitment ads on minorities’ desire to work for organizations. Conversely, if an organization develops a reputation for valuing only a subset of workers, it may miss the opportunity to hire excellent workers who do not fall into that subset. Other researchers have similarly argued that “talented people may be predisposed to avoid companies that discriminate.” We suggest that such an organization may also have higher compensation costs because of drawing from a smaller pool of workers (e.g., supply would be lower, making demand costs higher). As discussed in Case 1.1, such an organization may also have lower productivity from both the preferred subset of workers and those who are not preferred.

In addition to *Fortune’s* annual issue of the best companies for minorities, *Working Mother, Latina Style, Catalyst, American Association of Retired Persons* (AARP), *Hispanic Today, DiversityInc,* and other entities routinely publish lists of best companies for women, minorities, parents, and other groups. These reports are widely read and provide substantial publicity for the companies that make or

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Assume that people from demographic groups A and B are employed at Fictitious Company, Inc. Both Workers A and Workers B have similar numbers of excellent performers and poor performers in their group. Workers from both groups expect fair performance evaluations, pay raises, and promotions based on their performance. After a period of working for and excelling in performance, high performing Workers B realize that despite their high qualifications and strong performance, their performance is rated lower than Workers A, their pay raises are lower, and they are not likely to be promoted. This perception is validated when Workers B consider the management and executive levels of Fictitious Company, and see very few people from Workers B category in those levels. What is the expected result of motivation and future performance for high performing Workers B? Low and average performing Workers B are observing. They realize that high performing Workers B, despite their high performance, receive low performance ratings and few to no raises and promotions. What is the expected effect on motivation to work harder and future performance of low performing Workers B?

After a period of employment at Fictitious Company, Workers A realize that they are continually rated highly, and receive pay raises and promotions, regardless of their performance. If they make their sales and quality goals, they receive high raises and are promoted. If they miss their sales and quality goals, remarkably, they receive high raises and are promoted. If they are chronically late or absent on Mondays and Fridays, there are few to no negative consequences. What is the expected result of future performance and motivation for Workers A who are truly good performers but observe Workers A who miss sales and quality goals still being promoted and rewarded? What is the expected result of future performance and motivation to improve for Workers A who are low performers but receive rewards nonetheless?

To summarize, at Fictitious Company, high performing Workers B receive clear messages that their high performance is not valued. Low performing Workers B receive messages that there is no reason to strive for high performance because people like them receive no reward for high performance. Workers A receive messages that low and high performance for Workers A are valued and rewarded similarly, so there is no need to strive for excellence. What is the result of this scenario for the overall performance of Fictitious Company, Inc.?

Contrast this scenario to that of Fictitious Savvy Company, Inc., in which members of Workers A and Workers B expect, and receive, fair performance evaluations, promotions, and raises. What is the expected result of future motivation and performance for high, average, and low performance of Workers A and Workers B in Fictitious Savvy Company, Inc.? What is the result of this scenario for the overall performance of Fictitious Savvy Company, Inc.?
Marketing

Cox and Blake proposed that an organization’s reputation for valuing all types of workers will also affect its ability to market to different types of consumers. This is accomplished in multiple ways. First, consumers who appreciate fair treatment for everyone will be more likely to patronize an organization known to value diversity and to treat all workers fairly. Employers that are known for supporting particular organizations (e.g., the United Negro College Fund or the Human Rights Campaign) receive recognition from those organizations and their patrons. This recognition may translate into purchases and customer loyalty.

Second, having employees who are from various backgrounds improves a company’s marketing ability because such organizations will be better able to develop products that meet the needs of and appeal to diverse consumers. In the 1990s, after a period of declining sales and profits, Avon Products was able to successfully market to African Americans and Latinas by increasing the representation of African Americans and Latinas as marketing managers.

Third, organizations with employees from various backgrounds may also be more likely to avoid expensive marketing blunders associated with having homogeneous advertising or marketing teams. In the early history of Frito-Lay’s Frito’s corn chips, the major focus of its advertising was the Frito Bandito. This character was known for stealing Fritos because they were so good that he was unable to resist. The character had a heavy accent, his appearance was stereotypical, and the portrayal of Latinos as stealing was insulting. Complaints from Latinos resulted in Frito-Lay’s discontinuation of the use of the Frito Bandito.20

Though not an advertising blunder per se, in the 1990s, American Airlines’ Latin America Pilot Reference Guide, an internal document, caused the company negative publicity that could have affected its ability to market to Latino consumers (and those of other racial and ethnic backgrounds). The guide reportedly warned pilots that Latin American customers would call in false bomb threats to delay flights when they were running late and that they sometimes became unruly after drinking too much on flights. When news of the statements in the reference guide hit the press, the airline apologized and stated it would revise the manual.21

Creativity and Problem Solving

Research indicates that groups composed of people from different backgrounds bring with them different experiences that result in greater creativity and problem-solving ability. These abilities stem from different life experiences, language abilities, and education that groups composed of diverse members have.

20 “Justice for My People, the Hector Garcia story.” http://justiceformypeople.org, accessed 10/08/03.
Empirical research supports the idea that diversity positively affects group performance, creativity, and innovation. In longitudinal research, Watson, Kumar, and Michaelsen investigated the effects of diversity (in race, ethnicity, and nationality) on group performance. Following diverse and homogeneous groups of students over the course of a semester, these authors found that initially, the homogeneous groups outperformed the diverse groups. By the end of the semester, however, the performance of the diverse groups exceeded the performance of the homogeneous groups. After learning to interact with each other, the diverse groups developed more and higher-quality solutions to problems than homogenous groups, exhibiting greater creativity and problem-solving skills.\(^{22}\)

Poppy McLeod, Sharon Lobel, and Taylor Cox have empirically investigated the effects of racial diversity on idea-generation in small groups. Using brainstorming techniques (which are commonly used in developing new ideas in organizations), they found that groups composed of diverse members produced higher-quality ideas than groups composed of homogenous members. The ability to generate superior ideas is vital to success as global competition increases.\(^ {23}\)

**System Flexibility**

System flexibility is the final way that Cox and Blake proposed that valuing diversity provides organizations with a competitive advantage. They argued that women have a higher tolerance for ambiguity than men. Tolerance for ambiguity is associated with cognitive complexity and success in uncertain situations. Other researchers have pointed out women’s ability to “multitask,” successfully handling multiple tasks concurrently. Successful multitasking is valuable in complex work environments.

Bilingualism and biculturalism are indicative of cognitive flexibility and openness to experience.\(^ {24}\) Latinos and Asian Americans are often bilingual and bicultural. African Americans tend to be bicultural.\(^ {25}\) Although not traditionally perceived as bicultural, we suggest that the life experiences of some people with disabilities, gay males, and lesbians may provide them cognitive flexibility and openness to experience similar to bicultural individuals. Exposure to other cultures, languages, or having experienced challenges of being different from those in the majority may help individuals develop cognitive flexibility and openness to experience not possessed by others.

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Other Areas Where Diversity Is Advantageous

**Cooperative behaviors.** Researchers have found that groups composed of members from collectivist (such as Asians, Blacks, and Latinos) instead of individualist backgrounds (such as Whites/European Americans) displayed more cooperative behavior on group tasks. Where cooperation is important to business success, for example, in an increasingly global and diverse environment, and where teamwork is vital, organizational diversity will be an asset.

**Stock prices.** Effective management of diversity has been associated with stock prices. Using six years of data, Wright and colleagues assessed the effect of positive publicity from affirmative action programs (which they used as evidence of valuing diversity) and negative publicity from damage awards in discrimination lawsuits on the stock returns of major corporations. They found positive influences on stock valuation for firms that received awards from the U.S. Department of Labor regarding their affirmative action programs. In contrast, announcements of discrimination settlements were associated with negative stock price changes for the affected companies.

**Organizational performance.** Orlando Richard’s study of the relationship between racial diversity and firm performance found a complex interaction effect. Firms with a growth strategy (which would require innovation, idea generation, and creativity) were more successful when employees were diverse. Richard suggested that when firms have a growth strategy, racial diversity increases productivity, which increases firm performance. Thus, organizations might wish to actively seek out diversity as a source of competitiveness when pursuing a growth strategy. Although Richard did not test other aspects of diversity, diversity in gender, age, and other areas may also be advantageous for high-growth firms.

**Reductions of lost business.** Lastly, we suggest that costs associated with lost business should be added to the costs of absence, turnover, and discrimination lawsuits that are commonly associated with mismanagement of diversity. These costs can be minimized through commitment to diversity. When employees or customers learn of or personally experience unfair treatment towards their group by an organization, they are less likely to patronize the organization. In addition, other groups who were not personally affected may find overt discrimination or other negative behaviors offensive and choose to spend their dollars elsewhere. Organized and informal boycotts can be extremely expensive for organizations. Instances of such boycotts will be discussed in later chapters.

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27 Wright et al. (1995).

Difficulties Resulting from Increased Diversity and Organizational Responses

Although Cox and Blake’s positive perspective of diversity sets the stage for many of the perspectives on valuing diversity that are presented in this book, it is important to also consider some of the negative outcomes that may be consequences of increased diversity. Some of these negative outcomes include dysfunctional communication processes between different group members, discrimination, harassment, perceptions that nontraditional workers are unqualified, and lowered attachment, commitment, and satisfaction. As mentioned earlier, researchers have found that increasing organizational diversity was associated with lowered attachment for Whites and males but not for women and minorities. On the other hand, multiple studies have indicated that although increased diversity was associated with negative outcomes initially, this lessened over time. Researchers suggest that as employees get to know one another and exchange job-relevant information, negative effects of surface-level differences are reduced.

Organizational leaders should facilitate interactions between people of diverse backgrounds at work, providing communication training if necessary, and monitoring dysfunctional behaviors. Managers should directly confront and dispel the common perceptions that minorities and women are unqualified while only Whites and males are qualified. As with an important organizational change, proactive steps should be taken to minimize negative outcomes resulting from increasing diversity while maximizing the positive ones. Inevitable changes in population demographics make doing so critical to organizational success.

Organizations that are supportive of diversity have faced boycotts and negative publicity from those who are resistant to diversity. Fortune magazine reports that in 1962, when Harvey C. Russell, a Black man, was named a vice-president at Pepsi, the Ku Klux Klan called for a boycott of Pepsi products, flooding the country with handbills that read: “Don’t buy Pepsi-Cola and make a nigger rich.” Undeterred, Pepsi continued in its diversity efforts. In 2005, PepsiCo was ranked number four in DiversityInc’s fifth annual “Top 50 Companies for Diversity Survey,” including number one rankings for Blacks and Latinos.


30 Tsui et al. (1992).

31 Harrison et al. (1998); Watson et al. (1993).

number four for Asians, and number five for gay, lesbian, bisexual, and transgender employees. In the more recent past, the Southern Baptist Convention led an 8-year boycott of Disney because of its inclusive policies toward gay and lesbian employees and customers. The Convention ended its boycott in 2005, having had little apparent effect on Disney.

**Individual Benefits of Diversity**

In addition to the organizational benefits of diversity, longitudinal research provides evidence of the value of diversity to individuals. Research conducted by Patricia Gurin and her colleagues identifying the benefits of a diverse learning environment for students was used by the U.S. Supreme Court in its 2003 decision in favor of the University of Michigan’s diversity programs. Gurin found that students whose classmates were diverse and who interacted with each other in meaningful ways and learned from each other were more likely to see diversity as not being necessarily divisive, to see commonality in values, and to be able to take the perspective of others.

In another longitudinal study, Sylvia Hurtado also found evidence of the benefits of diversity among college students. Hurtado's study involved 4,403 students from nine public universities across the United States. She found that when students interacted with diverse peers during their first year of college, changes in cognitive, social, and democratic social outcomes followed. By the second year of college, students expressed more interest in poverty, support for diversity initiatives, perspective-taking, and tolerance for sexual minorities. Students who had taken diversity courses and participated in campus-sponsored diversity learning programs experienced the greatest number of positive benefits. Hurtado proposed that “These results suggest that campus efforts to integrate the curriculum, or adopt a diversity requirement, have far-reaching effects on a host of educational outcomes that prepare students as participants in a diverse economy”. Continued predictions for increased diversity in the future make preparation for such diversity an invaluable asset.

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33 “PepsiCo ranks number four on DiversityInc’s Fifth Annual Top 50 Companies for Diversity.” At http://www.pepsico.com/diversitywork/20050411-b.shtml, accessed 09/18/05.


37 Ibid., p. 605.
Organization of the Book

In the preceding part of Chapter 1, we introduced the concept of diversity and discussed Cox and Blake’s proposals about the six areas in which diversity is beneficial for organizations and other researchers’ empirical findings on the relationships between diversity and group and organizational performance. In the remainder of the book, we refer to these areas and to other ways in which diversity is valuable and inevitable. As much as possible, for each group or topic (race and ethnicity, sex, age, workers with disabilities, sexual orientation), we cover the same standard areas, as well as areas unique to the particular topic. Although the uniqueness of the topics prevents identical coverage and topics, the standardization provides cohesion and improves readers’ ability to consider and compare similarities and differences across groups. Each chapter begins with key facts relevant to the topic, along with chapter objectives. Where appropriate, the standard areas covered for each group are: introduction and overview, population (including percentages and growth rates), education, and employment (including participation rates, unemployment rates, income levels, and employment types). Different chapters combine some of the standard areas when doing so creates a more cohesive picture of the topic or group being discussed. Within the standard areas, points of particular relevance to diversity in organizations are highlighted, for example, the role of gender role socialization in women’s and men’s choices of occupation, and the long-term effects of the gender wage gap on women’s retirement and poverty.

The use of the standard topical areas, unique information, and topical highlights provides a distinct picture of the status and experiences of group members. These areas are important to being able to critically think and learn about diversity issues. They also provide readers with a cohesive foundation for understanding the aspects of diversity considered in this book and other aspects of diversity that they may encounter in the future in the United States and worldwide. For example, although specific minority or nondominant groups may be different in different areas (e.g., in the United States and in India), readers can use the same standard approach to learn about and develop an understanding of them. The standard areas utilized in each chapter are discussed further in the following sections.

Introduction and Overview of Chapters

Each chapter or subchapter that focuses on a particular group (e.g., racial and ethnic groups, workers with disabilities, etc.) begins with an introduction and overview of the group, including information that is unique for each group that helps to explain their diversity-related status in the United States but may be unknown to readers. For example, in the United States, only Blacks have experienced the historical background of slavery and subsequent discrimination that
continues to shape their position in organizations and in society. Latinos are unique in their diverse backgrounds (e.g., Cuba, Puerto Rico, Mexico, Central America, etc.), races, language ability, and youthfulness of population. It is not widely known that although they were considerably more accepted than Blacks, Mexican Americans experienced extreme discrimination, segregation, and lynch- ing in parts of California and Texas during the early 1900s to the 1970s. Mexican Americans fought for their civil rights during the same period African Americans fought for their civil rights, at times along with African Americans and Asians.38

The experiences of Asian Americans as immigrants, refugees, or native-born Americans—being perceived as the “model minority,” while at the same time experiencing the glass ceiling and other forms of discrimination39—are unique to them. As we will see, however, Asians have distinct experiences in the United States, representing a bimodal distribution of education, wealth, and success versus lack of education, extreme poverty, and welfare dependency.40

In addition, many perceive that Asians choose self-employment as a means of earning high wages; however, research indicates some Asian entrepreneurs are self-employed as a result of discrimination, a lack of opportunities in formal organizations, and the glass ceiling. As with small businesses in general, many Asian businesses fail and others are only profitable because of long hours and unpaid labor of family members.41 Similar to others of color in different cities, in some parts of the United States, Asian Americans comprise the bulk of the hotel housekeepers and janitorial staffs, neighborhood gardeners, garment workers, and other low-wage, low-status occupations. These jobs are quite different in occupation and earnings from the model minority stereotype.

Population

The number of people in a particular group is critical for many different reasons. Large groups have more voice in democratic governmental processes, more consumer buying power, and strength in other areas. These benefits may positively affect their treatment in organizations and result in organizations being more attentive to their needs. In addition, as “minority” groups grow in size, they may appear to be more threatening to those in the majority, which may negatively affect their organizational status and treatment.42 Positively, as minority groups grow in numbers, majority group members may have more personal experiences with and knowledge of particular individuals, and may therefore learn to rely on

this personal knowledge, rather than stereotypical information, particularly if
given organizational stimuli and support for doing so.

Similar to population numbers, as the relative size of a group increases and
the group becomes a greater percentage of the overall population, its voice,
buying power, and other strengths increase. As an example, 30 million may be
construed as a large number; however, 30 million of a population of 60 million is
considerably different from 30 million of a population of 300 million.

Population growth rates of a particular group are notable in that growth rates
affect both sheer numbers and percentages. When a minority group is growing at
a faster rate than the majority, over time, the minority group will grow in per-
centage of population, as well as in raw numbers. Population growth occurs
through births and immigration and warrants attention from persons interested
in diversity issues. When a minority group has both a higher birth rate and
greater immigration than the majority group, as do Latinos and some Asians in
the United States, this leads to a faster shift in the numbers and percentages of the
minority group compared with the majority group. These shifts in population
require different strategies and perspectives for addressing needs of diverse con-
sumers, applicants, and employees. As an example, as Latinos have become a
larger percentage of the population, some organizations have begun to actively
recruit bilingual employees in human resources, customer service, marketing, and
management positions.

**Education**

Education levels for each group affect whether and where people are employed,
income levels, and opportunities for and actual advancement. Thus, this book
provides details on the numbers of people in each group of working age with
and without high school, college, and advanced degrees. Comparisons of educa-
tion levels within (between men and women) and across groups provide insights
into other factors (e.g., the glass ceiling and walls) that may be influencing the
employment, income, and organizational advancement of different groups. For
example, are White men and women receiving similar levels of education? If so,
are they receiving similar returns (e.g., income, status, advancement) on their
educational investment? What are the education levels of immigrants? How
does this affect their employment? We investigate these and similar questions as
relevant for each demographic group.

**Employment, Unemployment, and Participation Rates**

Employment levels and participation rates of a group are closely tied to educa-
tional levels and provide information about a group’s position in organizations.
The percentages of people in a group who are employed, unemployed, underem-
ployed, and not seeking work, when compared with those of other groups are
important in understanding group status and other diversity factors. We seek to answer questions such as the following:

- Are Blacks with similar education levels more, less, or equally likely to be employed as are Whites?
- When laid off, how long do minority and majority group members, such as older and younger workers, remain unemployed before finding similar employment?
- Are men more likely to be participating in the workforce than women in each racial and ethnic group?
- Are women from some racial groups more likely to be in the workforce than women from other groups?
- Why are people with disabilities consistently less likely to be employed than people without disabilities, even when similarly qualified and able to work?

We investigate what can be done about these issues and why organizations should be concerned about them. We consider what employment levels actually mean, compared with what is commonly reported, and how these figures differ across groups, emphasizing that for certain groups, the unemployment levels are often understated and deceptive. In periods of apparent economic success (as in the mid-through-late 1990s), or more difficult economic periods (as in the early 2000s), the job-related status of people of color, women, and people with disabilities may be more negative than is apparent. Because Whites are the majority of the population, White unemployment levels heavily weight the reported unemployment rates. Unemployment for African Americans has consistently been about twice the unemployment rate for Whites, but this is not commonly known. In 2003, the overall unemployment rate was about 6%. For Whites, Blacks, Latinos, Asians, and American Indians the rates were about 5%, 10%, 8%, 6%, and 15% respectively. These differences in unemployment rates are not completely explained by differences in education. Asian Americans have higher average education levels than Whites, yet Asians have higher unemployment rates. Blacks have higher average education levels than Latinos, yet Blacks have higher unemployment rates. What diversity dynamics are affecting these unusual relationships?

Many people do not know about other distortions in reported unemployment levels. People who have given up actively seeking work in their field (e.g., “discouraged” workers), those working at lower levels appropriate for their education (e.g., underemployment), or people who work part-time because they are unable to find full-time work are not included in the unemployment rate. We discuss discouraged, unemployed, and part-time workers and their relationships to diversity in organizations.
Employment Types and Income Levels

Employment types and income levels provide great insights into the status of different groups. Comparisons between people of similar qualifications but different group memberships provide even greater insights into diversity-related factors at work (e.g., discrimination, equal opportunity, the glass ceiling, etc.). We investigate questions such as the following:

- In what types of occupations and industries do most members of a group work?
- What percentages of the group occupy executive, managerial, professional and administrative, or other positions?
- Are similarly qualified women less likely to be in managerial or executive positions than men?
- Are women and people of color more likely to be clustered into certain jobs and industries?
- How do the pay and advancement potential of the jobs and industries in which women and people of color are clustered compare with the pay and advancement potential of jobs and industries in which Whites and men tend to be clustered?

Education, employment levels, and employment types lead logically to income. The more education one has, the more likely one is to be employed, and earning higher wages. This is theoretically and practically true; however, returns on education vary by race, ethnicity, gender, physical ability, and other factors. Education does not translate to higher income at similar rates for all racial and ethnic groups. Asian Americans have higher average education levels than other groups; however, their returns on educational investment are lower than the returns Whites receive. Specifically, although wide variations exist for U.S.-born versus immigrant Asians and vary by country of birth, the average educational level of Asian American men is higher than that of White men, but the average earnings of Asian men are lower than the earnings of White men. For Asian Americans, then, the education to income relationship is different than the relationship for Whites. The chapters explore relationships between education, employment, and income for different groups, providing some startling insights into the dynamics of discrimination, stereotyping, and other diversity issues.

Focal Issues

Where appropriate, each chapter provides details on one or more issues of particular relevance to the chapter’s focal area or group. For example, for Chapter 9, one focal area is the relationship between socialization and women’s lower likelihood of successfully negotiating salaries (and its impact upon the wage gap).
Focal investigations for African Americans consider negative effects of discrimination on African Americans’ health and the persistent effects of slavery and discrimination on their social and financial progress. Chapter 13 considers “the second shift”—the extra shift of housework and child care that employed women perform after leaving work, its effects on organizations, why organizations should be concerned, and what can be done about it. These investigations provide details on some of the many diversity-related concerns unique to specific groups that may be unfamiliar to readers as diversity concerns, but which are quite familiar on a day-to-day basis. Many people “know” how much more housework wives generally perform compared with husbands, but giving such phenomena a name and presenting empirical evidence about them will help readers see everyday influences of diversity on individuals and organizations.

### Individual and Organizational Recommendations

Each chapter provides recommendations for individuals and for organizations relevant to the specific chapter focus. These recommendations are related to the concerns raised for the particular groups as well as to improving the organization’s overall climate for diversity. Although organizational, societal, and systemic factors underlie much of the extant discrimination and resistance to diversity, some individual actions that people may take can influence individual outcomes. What can one person do? As an example, Chapter 4 provides recommendations for African American women to reduce the double-whammy of disadvantage associated with membership in two nondominant groups. Chapter 9 includes specific recommendations on how organizations can prevent sexual harassment and how individual women can reduce or address individual discrimination. Chapter 11 suggests ways in which older workers can avoid pre-interview exclusion based on high school or college completion dates on a resume.

### International Feature

Many chapters include an international feature, which considers some aspect of the subject matter from an international perspective. Chapter 11 explores recently passed legislation in Australia that prohibits age discrimination against younger, as well as older workers. Chapter 13 compares family policies in the United States with those of other developed nations. Inclusion of these international features clarifies the importance of diversity around the world and demonstrates ways in which readers and organizations may learn from and improve diversity issues in different regions. Chapter 16 further considers the international relevance of diversity issues, including factors that are common worldwide and ways to assess the key diversity factors in a particular region.
Other Items in Each Chapter

Each chapter includes at least one case study, individual or organizational feature, research translation, or discrimination charge and analysis (e.g., apparent name-based discrimination against Black applicants and applicant and employee discrimination charges against Abercrombie and Fitch retail stores). Translations of research from a variety of disciplines provide understandable discussions of rigorous empirical research, bringing credibility to the chapter material. Litigation or discrimination charges drawn from the EEOC or media provide realistic reports with which the reader may be familiar and encourage in-depth analysis and critiquing. Rather than being critical of these organizations, many of which have long-standing diversity programs, inclusion of these charges and settlements emphasizes the importance of continued, vigilant commitment to diversity.

Organizations must make the commitment to diversity widely known to every employee in every location through repeated training, communication, and monitoring. Our inclusion of positive reports coupled with discrimination charges, settlements, or other problems (e.g., L’Oreal and DuPont, discussed in Chapters 11 and 12, respectively), also demonstrates the need to avoid making blanket assumptions or judgments about an organization based on limited information.

Suggested “actions and exercises” enhance readers’ understanding of the subject matter and help make abstract concepts and discussion more legitimate. Some actions and exercises include interviewing a person working in a sex atypical job, documenting the race and ethnic makeup of cashiers at discount stores, or constructing an organization chart of a company with which one is familiar (for possible evidence of glass ceilings, walls, and escalators). Thought-provoking and memorable misperceptions and reality points interspersed throughout the chapters provide common misperceptions about the topic and then contrast them with more accurate information.43

Because diversity issues are related to each other, an important feature of the book is cross-references and discussion of relevant interrelationships between topics. For example, in Chapter 11’s consideration of age diversity, an EEOC case against Babies “R” Us, Inc. reflects harassment of a young worker who did not fit gender role stereotypes of how a male should act—relevant to Chapter 9’s coverage of sex and gender. Chapter 13 includes a section on same-sex families that is also referenced in Chapter 15. Chapter 13 also refers to the effect of part-time work and women’s lower lifetime earnings on the feminization of poverty that was considered in Chapter 9. Although separate examination of the individual groups and topics (e.g., separate chapters on racial groups) is important, cross-references to and discussions of these interrelationships within chapters bring a holistic view of diversity in organizations. Diversity issues are relevant to everyone and to each other.

43 Not every reader will be familiar with every misperception.
**Summary**

This chapter has introduced the concept of diversity and provided details of the organization of the book and of what readers may expect. In conceptualizing diversity, areas that are prohibited from employment discrimination by federal regulations (e.g., race, ethnicity, sex, national origin, religion, age, and ability) as well as those that are not (e.g., sexual orientation, weight, and appearance) are included. Although some groups are clearly devalued and underutilized in organizations more than others are, this book emphasizes the idea that everyone has multiple group memberships, and that group boundaries are permeable, making diversity of importance to everyone. The overriding premise of this book is that diversity is valuable to individuals and to organizations and that people with various group memberships should be afforded employment opportunities and allowed to reach their potential as employees, managers, executives, and leaders. Research indicates that job applicants, employees, customers, and constituents will respond positively when organizations value diversity and negatively when they do not. From this perspective, the book continues its consideration of the past, present, and future of diversity in organizations.

**Key Terms**

Diversity — real or perceived differences among people that affect their interactions and relationships, often viewed in terms of race, ethnicity, sex, national origin, and other demographic and identity-based factors.

Identity group — the collectivities people use to categorize themselves and others.

Labor force — all persons age 16 and over working or looking for work.

Participation rate — the ratio of persons age 16 and over who are working or looking for work divided by the population of persons age 16 and over.

Primary labor market — jobs in large, bureaucratic organizations that have opportunities for advancement and include lucrative retirement, medical, and vacation benefits.

Secondary labor market — jobs, often in the service sector, that offer few or no opportunities for advancement, nor medical, retirement, or vacation benefits.

**Questions to Consider**

1. What is diversity?
2. List and discuss the six areas that Cox and Blake proposed as reasons for valuing diversity. What else can be added to this list as reasons for valuing diversity?
3. What are some negative outcomes of increasing diversity and, given the inevitability of increasing diversity, what can organizations do to reduce these negative outcomes?
4. Why is diversity important to everyone?
5. What is one thing you learned from this chapter that is most surprising to you?

**Actions and Exercises**

1. Begin observing diversity in your work, school, neighborhood, religious, and/or entertainment environments. What is the racial, ethnic, gender, and age distribution of the people in each of these environments? What do you observe
that you may not have noticed were you not investigating diversity in organizations? Explain.

2. Locate the Web site of a major corporation of your choice. What statements about diversity are included? Is there a nondiscrimination policy? If so, which areas are included (e.g., race, sex, etc.). If possible, determine the race, ethnicity, and sex of the CEO, board members, and other top executives of the organization.

3. Locate the Web site of a large university and a small university. What statements about diversity are included? Is there a nondiscrimination policy? If so, which areas are included (e.g., race, sex, etc.). What clubs or organizations at the universities appear to be related to diversity? What is the racial, ethnic, gender, and other demographic composition of the student body at each school and of the communities in which they are located?

4. Prepare a PowerPoint presentation for the CEO of a medium-sized company (less than 1000 employees) who is considering implementing diversity initiatives but is unsure of the benefits for companies that are not very large. Make a presentation to convince the CEO of the benefits to such a company.