

Diversity in the New Economy

by Lynne Morton

In the New Economy, diversity is no longer something that organizations choose to “do” via a program or an initiative. It’s a fact of life. Organizations that do not understand and leverage their diversity will find themselves at a competitive disadvantage.

The Wharton School’s Center for Advanced Studies in Management defines diversity this way: “*the differences among an organization’s stakeholders (employees, customers, shareholders, suppliers, directors, applicants) that are expected to have an impact on the organization’s success (its productivity, innovation, quality, profitability, stockholder value, stakeholder satisfaction, and contribution to quality of life, individual opportunity, fairness and ethical values). Such differences may include gender, ethnicity, age, level and type of education, work experience, values, career interests and interpersonal communications skills.*”

Diversity used to mean gender and ethnicity. Today, diversity includes changing demographics, job requirements, and workstyle factors. Consider the technology department at “ABC Financial Services.” They have:

- permanent, on-site employees
- off-site contract employees working on discrete projects
- full-time, yet offsite, employees who manage outsourced functions
- programmers located in foreign countries.

Embedded in each of these categories are the personal and workplace characteristics of each person: single or married, working parents, 45 year olds working alongside 25 year olds, “cube farms” or virtual offices, recent immigrants, Mayflower descendants, colleagues in any of dozens of countries around the world. And all these people have to work effectively together, understand each other’s communications, and accomplish team projects.

What can all this mean to consultants and their clients?

Take advantage of the organization’s diversity. Innovation benefits. We know that being able to look at ideas from many points of view is important to improvement. Isn’t the potential for new ideas and enhanced current proce-

dures incrementally improved by the involvement of a diverse group?

So the potential for innovation, given the New Economy model of diversity, has never been better. Use the existing diversity to improve products and processes by including many points of view on design and improvement teams.

There are some challenges too.

Communication is faster, but not necessarily better. The “new economy” has been all about doing things differently – being less hierarchical, more casual and freer, removing barriers. But is it? Replacing office walls with cubical dividers has eliminated some physical barriers, but some say that hasn’t created better communications and productivity.

The Internet has eliminated some physical borders, but employees must still learn to deal with the barrier of a computer screen and the shorthand of e-mail. If it will be beneficial, you might want to provide training in the subtleties of communicating electronically with someone you can’t see or really know.

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Did You Know?

- It costs about 150% of a person’s annual salary to replace that individual (*source: Ernst & Young’s Office of Workforce Retention*)
- Domestic partner benefits, particularly plans that cover same-sex partners, were recently identified by executives as the most effective recruitment incentive (*source: Society for Human Resource Management*)
- Minority workers will make up more than 30% of the total workforce by 2020 (*Source: Hudson Institute*)
- At the managerial level, for every dollar earned by a white man (in a 1997 study) : White women earned 74 cents, Asian women earned 67 cents, African-American women earned 58 cents, Hispanic women earned 48 cents (*Source: Catalyst: Women of Color in Corporate Management: A Statistical Picture, 1997*)

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Some diversity is subtle, and so are the problems it creates. Help your clients examine the makeup of their workforce, perhaps even of their client base, with an eye toward the New Economy Diversity model. Consider the makeup of the organization as a whole, and the makeup of each unit.

If there are units with special needs, convene a team to consider ways to address the issues. Conduct a diversity analysis to help them understand how diverse their workforce really is.




Understand the culture and the success criteria. At the core of the organization are the vision and values, which are then complemented by a range of elements that make up the culture. Help your clients see exactly how that essence is aligned to the real behavior and opportunities afforded to employees. Consider such issues as the organizations receptivity to new ideas, tolerance of failure, or inclusion of different personality types.

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Consider what it takes to rise in the organization. Some organizations hire many different people, but a snapshot of the senior management team may describe the group that succeeds. Help the organization consider whether the characteristics of the management team reflect the diversity of the organization now, the organization that is emerging, and the environment in which the organization exists.

Measure what matters. While recruitment is still a necessary focus for diversity, the real business impact comes in the areas of retention and succession planning. Do your clients have performance measures that take into account the impact of New Economy Diversity? Since diversity is now an intrinsic (albeit subtle and complex) facet of business, it ought to have its own set of measures that are core to the business.

Overall, new economy diversity has created not just a new model of complexity, but also a new model of opportunity. As we begin to manage these personal and business challenges, let's help our clients be ready to take advantage of the new power that affords. 

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