THE END OF
DIVERSITY
AS WE KNOW IT

WHY
DIVERSITY
EFFORTS FAIL

AND HOW
**LEVERAGING
DIFFERENCE**
CAN SUCCEED

MARTIN N. DAVIDSON

An Excerpt From

The End of Diversity as We Know It:
Why Diversity Efforts Fail and How Leveraging Difference Can Succeed

by Martin Davidson
Published by Berrett-Koehler Publishers

I dedicate this book to my father and mother,
Arlanda and Jean Davidson

More Praise for *The End of Diversity as We Know It*

"This is a results book. It provides a practical guide for committed leaders interested in achieving optimal results through the efforts of people. It is also a handbook for leaders who aspire to do the 'right things right and at the right time.'"
 —**Charlie W. Hill, Executive Vice President of Human Resources (retired), Landmark Communications, Inc.**

"In plain English, Martin Davidson explains how diversity can make a company more efficient and innovative, which leads to greater profits. This book artfully blends psychology, social issues, and good business sense to provide baggage-free, 21st-century solutions to problems. Read it before your competitors do."
 —**Reginald Hudlin, producer/director and former President, Black Entertainment Television, Inc.**

"Martin Davidson reminds us that diversity is not about others; rather, it is about us and our willingness to push ourselves to the edge of personal discomfort in order to run productive, sustainable institutions; create communities of harmony; and live fuller, happier lives."
 —**Subha V. Barry, Chief Diversity Officer and Senior Vice President, Office of Diversity, Inclusion, and Community Engagement, Freddie Mac**

"Martin Davidson hit the nail on the head! This extensively researched book moves the diversity paradigm from the human resource cubicle to the whole organization, the tactical to the strategic, the short term to the sustainable, and the domestic to the global. A must-read for every business leader."
 —**Dr. Austin Ifedirah, President and CEO, Aegis Healthcare Holdings, Inc.**

"This is a tactical book for business leaders who know they have to shift their thinking but have never quite understood how (and truthfully, why) to do it. Every CEO who looks at his or her company's diversity initiative and wonders why it hasn't made as much progress should read this book."
 —**Todd G. Sears, Principal, Coda Leadership Consulting LLC, and former Americas Head of Diversity & Inclusion, Credit Suisse**

"Professor Davidson takes us on an enlightening journey that raises the bar for any business executive seeking to improve productivity. Leveraging difference is a critical tool for those who are result and not process oriented when deploying talent."
 —**Mark Settles, Managing Director, JPMorgan Chase & Co.**

The End of Diversity As We Know It

Why Diversity Efforts Fail and How Leveraging Difference Can Succeed

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MARTIN N. DAVIDSON

Contents

Introduction

A New Possibility for Difference

What does it take to create an organization that can do this?

Multinational manufacturer Procter & Gamble's business is innovation. With more than $2.9 billion in annual sales in Canada, the company is constantly trying to improve its products and develop new ones. The global business service unit at P&G in Canada is in charge of designing business solutions and is composed of about 150 multifunctional professionals. They come from more than 40 nations, including Venezuela, Japan, Israel, and Ghana, and speak more than 20 languages.

To build and foster a culture of innovation, P&G has entrenched diversity as a key principle in the workplace and leveraged the skilled immigrant talent pool. When faced with the challenge of offshoring and outsourcing in 2002, group members realized, if they wanted to keep their jobs in Canada, they needed to adapt and leverage this diversity in a way no one else could. Now, the global business service unit in Canada has a unique position within the company. It is one of only four groups in the

world devoted to sourcing and supporting P&G services such as IT, employee benefits and payroll, business analytics, and purchasing on a global scale.

In addition to creating a diverse employee mix internally, P&G is open to and prides itself on collaboration with external partners. It has formalized this strategy through its Connect and Develop program. Historically, P&G's best innovations came from connecting ideas across internal businesses. Taking this one step further, the company decided to set a goal to acquire 50 percent of innovations from outside the company. The move was not meant to displace P&G's own staff, but to leverage them by exposing them to even more diverse ideas, people and products. P&G can now identify promising ideas throughout the world and apply its own research and development, manufacturing, marketing, and purchasing capabilities to create better and cheaper products faster.

P&G's leaders turned difference into advantage in other ways as well. It was quickly apparent they could only meet their growth goals through a combination of organic growth and growth through acquisition. They decided that these did not have to be disparate activities. Indeed, they realized that learning could be bidirectional. [1]

This description of Proctor and Gamble Canada was excerpted from an article entitled "Companies Embrace Power of Diversity." As the title suggests, the goal of the story was to highlight the importance of diversity in organizations. But this is not the typical diversity story, the one extolling the virtues of inclusion and highlighting a variety of diversity best practices like targeted hiring, employee networks, and mentoring. This one is different.

First, this diversity story starts with the company's overarching strategy. P&G is an innovation company and it focuses on the kinds of diversity that help it to be a better innovation company. As a result, the article never mentions race, gender, sexual orientation, or age. It's not that these differences don't support innovation. But P&G Canada is much more focused in its approach to diversity of talent. It emphasizes national cultural diversity as most critical to supporting its strategic imperative to innovate in this particular business context. It seems that P&G Canada has a larger goal than simply being an employer of choice for people of various diverse backgrounds.

That larger goal becomes more apparent through initiatives such as the Connect and Develop program. It is designed to cultivate internal and external partner relationships as a way of generating new ways to think about the business. The idea is that supporting diverse collaborations that extend beyond normal corporate boundaries can create even stronger, more innovative results. The program has helped the company apply its innovative process in creating products all over the world.

Diversity is also evident in P&G Canada's growth strategy. Company leaders recognized that cultivating new partnerships would infuse the organization with tangible resources and novel perspectives that would help it grow and compete more sustainably.

In sum, this diversity story is really about how P&G Canada capitalizes on difference in the broadest terms. The company connects with globally diverse stakeholders, and it *uses* those stakeholders to create value in unique and powerful ways.

The breadth of the P&G Canada example surfaces an uncomfortable truth about traditional methods of managing diversity: they don't usually go far enough to really make companies better.

In many organizations, the indicators of whether diversity efforts are successful have been how many people from group X are hired or promoted or fired, or how much product is sold to group Y. This approach doesn't begin to do justice to the potentially positive effect that differences can have on an organization like P&G Canada. The real value of diversity emerges when exploring difference becomes standard operating procedure. Organizations that excel in the global marketplace aren't thinking of diversity as a tangential activity handled by the HR department. Rather, diversity is mission critical. Differences are present—among employees, customers, suppliers, local communities, acquired or acquiring organizations, and governments. Success comes not from shying away from these differences, but from fiercely and skillfully capitalizing on them.

Traditional ways of managing diversity won't always help leaders take advantage of those differences. In fact, sometimes these approaches actually cause problems that destroy, rather create, value. This book is about how organizations can thrive by making the most of the diversity that is right there among their stakeholders. The "Leveraging Difference" approach is designed to foster superior firm performance, both in the present and the future. Drawing on examples from organizations in the United States and around the world, my goal is to guide readers in moving from traditional methods of managing diversity to fully leveraging difference.

My First Glimpse into Leveraging Difference

A few years back, I worked with members of the leadership team of a Fortune 50 company. The focus was on developing leadership abilities, and I had designed a curriculum that emphasized the

role of diversity in leadership. I confess I was more than a little intimidated. Here I was, an untenured (that is, expendable) faculty member preparing to work with a group of thirty-five executives, of whom thirty-three were senior white males, one was a white woman, and one was a multiracial male. I worried that most of them were fairly jaded when it came to diversity and would be bracing themselves for more of the same old rhetoric. I really wanted to make my sessions engaging and stimulating, and I wasn't sure I knew quite how to do so.

Over a four-day period, I spent time with them in four sessions of about ninety minutes each, interspersed between presentations on other topics by two colleagues. My first session went fine. The material was strong, I thought, and I also felt that I was working with a tailwind. This group was energized, upbeat, and excited about engaging in new ideas—in part, I realized, because of some great classes they'd already taken with my colleagues. Thanks to that bonding experience, they were open and ready for learning. By the way, this was in stark contrast to the usual modus operandi for the group. This was a high-performing company that generated terrific results in its industry, but theirs was not a culture of positivity or high energy. They did a job, did it well, and moved on to the next task, all the while critiquing why the job done well hadn't been done better.

My second and third classes with them were also okay, though certainly not great. My prediction at the time was that the leaders would evaluate the sessions as "fine" (and then critique them) but that our time together would have little lasting impact on them.

And then something happened.

The company's CEO stopped by to speak to the group. This was routine for such programs. This CEO was renowned as a

strong and thoughtful leader who held his people accountable for results. His task here was to share some of what he had learned by taking the program a year earlier (before I was part of it). He began to speak about the benefits he'd derived from the program, and then—to the surprise of many—he wandered into a critique of leadership development programs like the one we were part of at that moment. His question wasn't whether our program was good or bad (he thought it was quite good), but rather whether such deep explorations into learning and leadership weren't actually indulgences that distracted from the real business at hand: bottom-line results. He proceeded to lay down the company's law of performance and to remind everyone that they were accountable for results.

When he'd finished speaking a half hour later, the group sat in stunned silence. After a few moments, people engaged in polite and sometimes challenging Q&A, but mostly they sat glassy-eyed. The CEO had left me fairly speechless, too. But I figured that was just how things worked in this company, and I left to prepare for my next day's class.

When I showed up the next morning, the buoyant, energetic group of executives I had been working with all week now sat dejected and disengaged. We went through the motions until, disturbed by this marked shift in mood, I called time out and asked what was wrong. Needless to say, it was all about the CEO's talk the prior afternoon. People expressed their disappointment and sadness about what they had heard. They felt duped and resentful about having really opened up to new possibilities, only to have their sponsor slap them down. Indeed, some confessed to having felt the need to drown their sorrows in a drink or two the night before.

As I listened, something occurred to me. I had worked with one of the company's African American employee resource networks. In the unit I'd visited, younger African American employees had been struggling, and turnover was unusually high. I had been struck by how these conscientious and committed young professionals were convinced they couldn't be successful in this company because of its difficult culture. Now, as I looked at these executives, I was struck by how much they resembled those disenfranchised African American employees. Both groups were de-motivated and unhappy. Both were frustrated and resentful. I shared my observation and summarized by saying, "You know, in this moment you are just like the black people in your company, the very same people that are the source of concern and consternation to so many of your managers."

They were shocked. To be honest, so was I. But the connection seemed critical for them, and in retrospect it was critical for me as well. The essential insight from my conversation with that mostly white, mostly male group was that they actually had a great deal in common with their African American employees. What they all shared was a common experience of how people were managed in the company. The firm's style and culture had a distinct effect on its people, and while some of that was constructive—they were high performing—some of it was not.

The relentless focus on results to the exclusion of empowering, appreciating, and celebrating the people who created those results was detrimental—even toxic—for many. And the black employees were the "canaries in the coal mine." They were the ones who, by virtue of being marginalized in the company, were more vulnerable to this negative side of management style. When they voiced the challenges they felt around the lack of employee empowerment and

autonomy, and the diminished opportunity to advance, they were highlighting a vulnerability that *every* employee in that company faced, regardless of race.

Until that moment, these executives had operated under the illusion that they would never have the same disempowering experience those black junior employees had. That illusion was now over. Everyone was in it together.

Several years later, this company has evolved, and its culture and management style are shifting. Not surprisingly, this has been fueled by leadership transitions and by the influence of newly acquired companies from around the globe. But in my time with that group of leaders, I caught a glimpse of why difference is so critically important for organizations. The new perspective—the extraordinary dissent—emerges because there is an opportunity for improvement and a need to change the status quo. It is the critical resource for helping organizations to innovate and operate more effectively. And the ability to look for and listen to these different perspectives—or to proactively solicit them—is one of several core skills that I'll expand upon in this book.[2]

Overview and Roadmap for the Book

Traditional diversity efforts—in this book I call them "Managing Diversity"—focus on recruiting and integrating people who represent a varied but limited set of diverse identities. Following the Hudson Institute's prescient "Workforce 2000" report in 1987 forecasting dramatic demographic changes in the U.S. workforce,[3] organizations have evolved numerous Managing Diversity initiatives to help them deal with this new workforce. These initiatives have had a significant impact over the past two decades. The best ones have made organizations more welcoming for traditionally excluded

people and helped companies enter new and diverse markets. But even the best of these initiatives are now falling short of solving the challenges of competing in the complex modern marketplace because they unduly narrow the potential impact difference can have on an organization.

Traditional diversity efforts frequently emphasize how to develop workplaces in which people with different perspectives and identities work well together despite (and because of) their differences. For example, Northrop Grumman Corporation, one of DiversityInc's "Top 50 Companies for Diversity," has as its diversity and inclusion goal "to attract, develop, and retain the best and brightest from all walks of life and backgrounds. This requires an organization to have a culture of inclusion where all individuals feel respected, are treated fairly, provided work-life balance, and an opportunity to excel in their chosen careers."[4] PricewaterhouseCoopers, the third-ranked company on DiversityInc's list, states that its "diversity initiatives and strategies are designed to attract, develop, and advance the most talented individuals regardless of their race, sexual orientation, religion, age, gender, or any other dimension of diversity."[5]

This goal of attracting and engaging employees with varied identities and perspectives is a necessary part of any significant diversity initiative. But it isn't sufficient in itself to take full advantage of what those differences can offer. Organizations that truly leverage difference cultivate the capability to engage with and learn from diverse stakeholders, including employees, customers, partners, and communities. They use what they learn to explore how they can do the work of their organization more effectively. They are able to apply lessons of difference to domains as wide-ranging as customer engagement, operational procedures, and

alliances with community resources. With time, these organizations can become "difference factories." But first leaders must move beyond thinking about diversity simply as race, gender, culture or personality differences. In the following chapters we will explore the larger mosaic and begin to map out how leaders and organizations can leverage the many kinds of difference that might make a difference to their businesses.

The first chapter—"The End of Diversity as We Know It"— argues that traditional approaches to diversity (those we call Managing Diversity) are not very effective in contemporary organizations. Drawing on the best research in the field, it takes on some diversity sacred cows and outlines when diversity helps and when it doesn't. It then highlights shortcomings in the Managing Diversity approach that are tough to admit but that need to be discussed. The second chapter, "The Beginning of Leveraging Difference," introduces a remedy and shows how the Managing Diversity approach or "frame" differs from what I call "Leveraging Difference." Managing Diversity is not an inherently bad way to deal with difference—it has often been effective in past decades. But it isn't going to be effective in the coming decades. A new frame is necessary: Leveraging Difference.

In chapter 3, "The Leveraging Difference Capability," co-author Heather Wishik and I begin to define how organizations can apply Leveraging Difference to change the way they operate. One of the shortcomings of the Managing Diversity approach was that it wasn't well integrated into organizational strategy; in most cases it was either a component of or a tactical add-on to HR management. Conceiving of Leveraging Difference as strategic for the entire organization moves diversity to center stage and makes it the job of every manager and leader, not just an HR diversity specialist.

Developing that Leveraging Difference capability requires moving through a cycle of seeing, understanding, and engaging difference, and we use a detailed case from Wipro Technologies to show Leveraging Difference in action.

Chapter 4, "Seeing Difference," describes the first phase of the cycle in detail. This is the point at which leaders identify what differences are likely to be strategically relevant for them. Key competencies for seeing difference are discussed, including understanding the enterprise strategy, having a mindset that assumes that differences are there (and do affect the organization), and managing the filters and biases that keep us from seeing difference accurately. Chapter 5, "Understanding Difference," explores the point at which leaders learn how those differences are affecting the organization, and how they might enhance bottom-line results. I also discuss how learning is accelerated when leaders build healthy relationships across difference and learn to manage charged emotions and conflict that can emerge in those relationships. And finally the chapter discusses ways to build systems in organizations that provide information about relevant differences whenever needed.

The last part of the Leveraging Difference cycle is discussed in chapter 6, "Engaging Difference." This is when knowledge is translated into coordinated action. Engaging difference projects are experiments that allow organizations to explore ways to use relevant difference to generate results. The case studies in this chapter, co-authored with Heather Wishik, show organizations as they move through the three stages of the cycle: seeing, understanding, and engaging difference.

Chapter 7, "Discovering Leveraging Difference," offers insight into what organizations that have developed a Leveraging Difference capability look like, and it describes in more depth the

dynamic quality of the cycle. It explains what leaders can do to help organizations shift from simply conducting successful engaging difference experiments here and there to truly implementing a Leveraging Difference capability.

The book's epilogue, "The Power of the Margin," addresses more directly the challenge of not dismissing intractable differences like race, gender, or sexual orientation because they appear not to be strategically relevant differences. Rather than breathing a sigh of relief at being able to avoid these perplexing differences, leaders should engage them eagerly. Each country and culture has it "hot spot" differences, the ones that are most emotionally charged and difficult to come to terms with. These could be precisely the differences that can help organizations learn to develop their Leveraging Difference capability most effectively.

Who This Book Can Help

I wrote this book for an unusually disparate audience of leaders. I believe that it can help senior executives, middle managers, chief learning officers, human resource professionals, corporate diversity professionals, and management consultants—especially those who focus on diversity. I don't subscribe to the notion that leaders are found only at the tops of organizations. Leaders are everywhere. Some have titles, some don't. One of the most powerful insights to come from our work with diversity is that leadership often is present in unexpected places, demonstrated by people we didn't think had it in them.

Senior executives will be able to use the book as a roadmap to helping create value for their businesses. One of the book's main tenets is that diversity activity should flow from an organization's comprehensive business strategy. Difference is an important

but neglected resource that leaders can use in the development and execution of that strategy. Concrete leadership actions are presented for developing an organizational capability for leveraging difference.

Middle-level managers can use the book to make sense of the diversity demands their organizations place on them. Having a leadership perspective is incredibly useful, even if you aren't yet a senior leader, and this book can encourage that mindset. From a practical point of view, it offers concrete steps for building positive professional relationships with colleagues, subordinates, and superiors. The techniques that are useful for managing across differences are often just as useful for managing someone you think is just like you.

Dealing with traditional Managing Diversity efforts is often the most challenging for middle managers. It puts pressure on them to operate in ways that aren't always comfortable, and that can breed resistance. This can be especially challenging for managers from majority groups—in the United States, straight white men (in other countries, it might be someone else). This book offers a clear and compelling rationale for being open to learning about groups different from one's own. And it can help majority managers better understand their role in leveraging difference.

Chief learning officers, human resource and corporate diversity specialists, and diversity consultants—those tasked with being experts in diversity—can benefit from this book for many of the same reasons as executives and managers. The book offers a new set of tools to help them develop their expertise, and it provides them with useful strategies for influencing their organizational constituents.

The Research Methodology

Insights and recommendations in this book are based on data from a number of sources. My colleagues and I collected survey and interview data from managers of diverse racial and ethnic backgrounds in a variety of U.S. organizations. In addition, we interviewed senior executives in the Americas, Europe, and Asia as part the Successful Global Leadership Project sponsored by the Batten Institute at the Darden School of Business, University of Virginia. We also conducted in-depth case and action research with more than twenty organizations spanning multiple industries. And we drew on a range of archival data available in the public domain.

In the research we conducted with domestic managers, we examined what practices and processes best create a climate in which managers with diverse identities feel they can succeed. Our survey sample of managers included 133 African Americans, 111 other managers of color, and 244 white managers, for a total of 488. Of those, 34 African American managers (26 percent of those surveyed), 79 white managers (32 percent), 13 Hispanic managers (29 percent), and 8 Asian American managers (12 percent) responded to our survey. We followed up by conducting individual interviews with thirty-two of the managers, half of them white and half managers of color.

To expand our inquiry, we collected interview data from twenty-three senior executives (as well as their superiors and those who report directly to them) as part of the Successful Global Leadership Project. We investigated how globally diverse leaders and companies develop people and practices to leverage differences within their organizations, among customers and markets, and on leadership teams. We examined what they have learned about the processes, assumptions, understandings, and leadership skills that

equip leaders and managers to develop critical and strategic relationships. Seven global enterprises were selected for the project, operating in the United States, South America, Europe, Africa, and the Middle East and Asia.

These projects yielded in-depth case material. We were able to collect data on strategy, marketing, product development, client relations, operational effectiveness, and talent management practices for a subset of the organizations. We also drew on our research with multiple organizations noted for effective work involving diversity and difference.

All the examples and case studies in the book come from this research. One of the challenges of writing substantively about real-world diversity is that companies cannot always be forthcoming about their identities, and I have respected that. Therefore, organizations and individuals that have been disguised are marked with asterisks when introduced in the text. All other companies are *not* disguised, and their experiences can be explored further if the reader is interested.

Searching for the Answers

As I wrote this book, I frequently reflected on my desire to write something that would provide answers to all the burning questions about differences in organizations. I talk with leaders all over the world who earnestly want to know how to deal more productively with differences. I cannot provide all the answers—I don't believe anyone can. But I'm not sure that is such a bad thing. There is something powerful in the collective endeavor of searching for those answers.

It makes sense that no one person can answer these important questions. Really answering them requires that many diverse indi-

viduals, holding diverse ideas and perspectives, come together in an empowering context to work in partnership. Their gathering places may be boardrooms or community centers or kitchen tables. They may be discussion boards or chat rooms. Wherever this coming-together happens, that is where the best answers will be found. My hope is that this book can be a resource for anyone engaged in the questioning and the learning.

About the Author

Dr. Martin N. Davidson is Associate Professor of Leadership and Organizational Behavior at the Darden Graduate School of Business, University of Virginia, and also recently completed a three-year appointment as Associate Dean and Chief Diversity Officer for the School. In his research, teaching, and consulting, Martin focuses on how leaders can use diversity strategically to create sustainable competitive advantages for their firms, both globally and domestically. His research on the impact of culture and ethnicity on career development and on conflict management is featured in top managerial and academic publications, including *Harvard Business Review, Administrative Science Quarterly, Research on Negotiation in Organizations,* and the *International Journal of Conflict Management*. His work also appears in cutting-edge books

Christopher Bond Photography

such as *Diversity Resistance in Organizations: Manifestations and Solutions* and *Exploring Positive Relationships at Work*. He has conducted research on four continents identifying the critical competencies for managing effectively across national boundaries.

He consults with a host of Fortune 100 firms, as well as government agencies, and nonprofit organizations. He also teaches leadership in Darden's MBA and Executive Leadership programs. Martin was elected chair of the Gender and Diversity in Organizations Division of the Academy of Management for 2006–2007. He has been featured in numerous media outlets, including *The New York Times*, *BusinessWeek*, *The Wall Street Journal*, *The Washington Post*, National Public Radio, and Minnesota Public Radio. His contributions to WashingtonPost.com's "On Leadership" series have been featured in print as well as online.

Before Martin joined the Darden faculty in 1998, he was a member of the Leadership faculty of the Tuck School of Business Administration at Dartmouth College. He earned his PhD at Stanford University and his AB at Harvard University. He is a native of Cleveland, Ohio, where his extended family still resides. Martin enjoys playing his upright bass and spending time with his wife, Rachel Bagby, on their solar-powered farm in Virginia. For more information about Martin N. Davidson and his research, and to view his weekly blog, "In My Opinion," visit www.leveragingdifference.com.

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this material has been excerpted from

The End of Diversity as We Know It: Why Diversity Efforts Fail and How Leveraging Difference Can Succeed

by Martin Davidson
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