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Making the Business Case for Increased Awareness, Knowledge, and Skills

Major Objective

To identify the business imperative for developing multiculturally aware, knowledgeable, and skillful leaders

Secondary Objectives

1. To identify the impact of both global and domestic demographic changes on the workforce

2. To discuss the similarities and differences between diversity and multi-culturalism

3. To discuss the need for multicultural skills

4. To explore the international perspective on multicultural diversity

5. To identify the value added by multiculturalism and diversity

6. To discuss the importance of focusing on leaders

Culture is a complex and dynamic topic that is very difficult for leaders, or anyone, for that matter, to deal with. It is often easier in the short run to ignore culture than to deal with its complexity, but leaders need to acknowledge their own cultural baggage as they understand the importance of gaining an awareness of culture. Ignoring culture is like driving down the highway and taking your hands off the steering wheel. You may have started out in the right direction, but the vehicle will quickly veer off in unintended directions.

National boundaries no longer define the world of organizations. The free movement of labor continues to intensify as organizations diversify geographically. This necessitates the effective interaction with broader constituencies as never before (see Siebert, 1999). Nestlé leads the world in external employment with 97% of its employees working outside of Switzerland, while 82% of Philips's workforce is located somewhere other than the Netherlands. A multinational company like German auto parts supplier Bosch employs more than 180,000 employees in 32 countries. Many U.S. companies such as Ford and IBM have more than 50% of their employees outside of the United States, and AT&T, General Electric, PepsiCo, and General Motors all have between one third and one fifth of their employees working beyond U.S. borders (*Workplace Visions,* 2000).

However, staying within the borders of the United States does not necessarily result in workforces that are less multicultural compared to companies spanning different countries. Often when the term *multicultura*l is heard, images of international scenarios come to mind. While the world of expatriate managers obviously includes a wealth of cultural issues, domestic companies are facing similar cultural issues. For example, it is estimated that Chinese constitute 3% of New York City's population, with 250,000 concentrated in Manhattan Island's Chinatown (Swerdlow, 1998). A managing partner at one New York Life agency that has about 200 agents representing 21 nationalities states that language and cultural differences are the primary challenges facing his ethnic (African American, Asian Indian, and Hispanic) recruits (Ahmed, 2002). In addition, on any given day the Hotel@MIT in Cambridge, Massachusetts, has between 140 and 150 employees who represent at least 40 countries of origin ("Serving the Multicultural Customer," 2003), and at one Washington, D.C., hotel employees speak 36 different languages. It is important that more U.S. companies, and their leaders, recognize that if they find common ground by treating ALL employees, regardless of race, ethnicity, religion, culture, gender, or age with fairness, dignity, and respect, value will be added to the company. It is our contention that the majority of leaders want to treat employees, clients, coworkers, suppliers, and everyone else with respect, but may not have the tools to do so.

Multiculturalism and Diversity

Diversity by definition focuses on differences, while multiculturalism focuses on aspects of multiple cultures. Heated debates still occur in determining the "correct" definition of diversity. Some scholars (e.g., Grossman, 2000; Linnehan & Konrad, 1999) advocate a definition that addresses power imbalances and reflects historical disadvantages (race and gender based). Rijsman (1997) suggests a definition that encompasses all difference. Others (e.g., Fujimoto, Hartel, Hartel, & Baker, 2000; Hartel & Fujimoto, 2000) recognize the complementary nature of the views and advocate a definition that integrates aspects of both approaches. Some have bridged the gap with definitions of cultural diversity. Cox (1994) defines cultural diversity as "the representation, in one social system, of people with distinctly different group affiliations of cultural significance" (p. 6).

Diversity is often discussed in relation to legal requirements, equal employment opportunity (EEO), and affirmative action. Terms like *protected groups, adverse impact, compliance,* and *lawsuit* are also frequently associated with diversity programs. It was stated by Title VII of the Civil Rights Act of 1964 that employers could not discriminate on the bases of sex, race, color, ethnicity, or religion. These characteristics, along with more recent focus on disabilities, age, and sexual orientation, are commonly considered as part of organizations' diversity initiatives. However, similar to academic scholars, practitioners also struggle with different views on defining diversity (Wellner, 2000).

Regardless of how diversity is defined, the adjustments that employees will make within an organization depend on the organization's tolerance for ambiguity, the demand for conformity, the value placed on diversity, cultural fit, and acculturation (Carr-Ruffino, 1996). Individuals can make one of four specific adjustments to an organization (Cox & Finley-Nickerson, 1991). Multiculturalism is often viewed as the most functional of four strategies or adjustments to deal with both cross-national and intranational diversity (Tung, 1993). A narrow view of multiculturalism focuses on being open to the positive aspects of all cultures and using this information to create new and meaningful ways of interacting. We posit that, while focusing on the positive is a great way to encourage a new relationship, acknowledging what one might consider the negative aspects of a culture is also important. This allows us to determine why we may view these specific aspects as negative, whether they are viewed as a negative characteristic by all, and how that might influence our relationship. For example, the indirect negotiating style of individuals from an Asian culture could be seen as a negative by an American leader. It may seem like a waste of valuable time, but not all see this as a negative. The context-rich style allows for many nuances that can be lost in a direct style and could provide important information for both the transaction and later dealings.

The least functional strategy or adjustment for dealing with diversity issues in companies is called separation. Separation involves rejecting all cultural values except your own. This can be thought of as a form of alienation. This of course causes a great deal of conflict between coworkers from different cultural backgrounds. Assimilation and deculturation fall between multiculturalism and separation. Assimilation is the adoption of the organization's culture. This is usually seen by subordinate groups as conforming to the values of the dominant group. This strategy often produces mistrust in the long run if the dominant group does not attempt to understand the values of the subordinate group (Tung, 1993). Finally, deculturation is viewed as a weak or benign form of separation that occurs when all groups maintain their own values without trying to influence anyone else (McFarlin & Sweeney, 2003). One example would be an expatriate who does not understand an employee's culture and has no desire to change that situation.

We recognize that cultural differences can arise from more than just geographic or ethnic differences. It is our premise that all the ways that make people diverse can also lead to cultural differences. Men and women raised in the same location experience the world in different ways, whether those differences are based on internal differences, external differences in the way they are treated by others, or a combination of the two. Generational differences can also reflect cultural differences. A 23-year-old middle-level manager for a parts distributor growing up in the same neighborhood that his 61-year-old boss was raised in will very likely represent a different culture compared to his boss. The same thing can be said for other sources of difference.

However, even though this book recognizes the many different influences on culture, we do not stray far from traditional views of multiculturalism, and want to bring into understanding that culture is influenced by much more than solely geographic location. Traditional views of multiculturalism suggest that it focuses on the many aspects of culture. This is no easy task for leaders as the number of major cultural groups is estimated to number at least 25, with several subgroups creating much diversity within each major cultural group (Conejo, 2002). The old idea of America representing a "melting pot" has been replaced by images of "stews" or "salads," where everyone keeps his or her identity, which adds richness and flavor to the dish.

Multiculturalism Is Inclusive and Broadly Defined

The multicultural perspective seeks to provide a conceptual framework that recognizes the complex diversity of a plural society while, at the same time, suggesting bridges of shared concern that bind culturally different persons to one another. During the past 20 years, multiculturalism has become recognized

as a powerful force, not just for understanding exotic groups but also for understanding ourselves and those with whom we work.

By defining culture broadly—to include within-group demographic variables (e.g., age, sex, place of residence), status variables (e.g., social, educational, economic), and affiliations (formal and informal), as well as ethnographic variables such as nationality, ethnicity, language, and religion—the construct "multicultural" becomes generic to all leader relationships. The narrow definition of culture has limited multiculturalism to what might more appropriately be called "multiethnic" or "multinational" relationships between groups with a shared sociocultural heritage that includes similarities of religion, history, and common ancestry. Ethnicity and nationality are important to individual and familial identity as one subset of culture, but the construct of culture—broadly defined—goes beyond national and ethnic boundaries. Persons from the same ethnic or nationality group may still experience cultural differences. Not all persons of color have the same experience, nor do all Asians, nor all American Indians, nor all Hispanics, nor all women, nor all old people, nor all disabled persons. No particular group is unimodal in its perspective. Therefore, the broad and inclusive definition of culture is particularly important in preparing leaders to deal with the complex differences among and between people they interact with from every cultural group.

Just as differentiation and integration are complementary processes, so are the emic (culture-specific) and etic (culture-general) perspectives necessarily interrelated. The terms emic and etic were borrowed from "phonemic" and "phonetic" analysis in linguistics describing the rules of language to imply a separation of general from specific aspects. Even Pike (1966), in his original conceptualization of this dichotomy, suggested that the two elements not be treated as a rigid dichotomy but as a way of presenting the same data from two viewpoints. Although research on the usefulness of emic and etic categories has been extensive, the notion of a "culture-free" (universal) etic has been just as elusive as the notion of a "culture-pure" (totally isolated) emic.

The basic problem facing leaders is how to describe behavior in terms that are true to a particular culture while at the same time comparing those behaviors with a similar pattern in one or more other cultures. Combining the specific and general viewpoints provides a multicultural perspective. This larger perspective is an essential starting point for leaders seeking to avoid cultural encapsulation by their own culture-specific assumptions (Sartorius, Pedersen, & Marsella, 1984).

There is a strong argument against the broad definition of culture. Triandis, Bontempo, Leung, and Hui (1990) distinguished between cultural, demographic, and personal constructs. Cultural constructs are those shared by persons speaking a particular dialect; living in the same geographical location during the same time; and sharing norms, roles, values, and associations, and

ways of categorizing experience described as a "subjective culture" (Triandis, 1972). This view contends that demographic-level constructs deal with these same topics but are shared by only particular demographic groups within a culture, such as men and women or old and young. Personal-level constructs belong to still another category of individual differences and cannot be meaningfully interpreted with reference to demographic or cultural membership.

The problem with this perspective is that it tends to be arbitrary in defining the point at which shared constructs constitute cultural similarity, because, as Triandis et al. (1990) pointed out, we cannot expect that 100% of a sample agrees with a position. We decided, arbitrarily, that if 85% of a sample shares the construct, it is cultural. Similarly, if 85% of the men share it, we consider it gender linked. If less than 85% shares the construct we might examine whether it is shared by the majority of a sample, but if less than 50% of a sample shares the construct, we definitely do not consider it shared (p. 304).

Likewise, C. C. Lee (1991) made a persuasive argument against the broad definition of culture. Lee argued that the term multicultural is in imminent danger of becoming so inclusive as to be almost meaningless. The broad definition includes all constituent groups that perceive themselves as being disenfranchised in some fashion. This has resulted in diffusing the coherent conceptual framework of multiculturalism in training, teaching, and research. The term has been increasingly stretched to include virtually any group of people who consider themselves "different" (Locke, 1990). In responding to Fukuyama's (1990) argument for a more universalist emphasis on culture for understanding the complex interacting systems of society, Locke (1990) suggested that the broad view of *multicultural* at best serves as a prologue for a narrow or "focused" perspective.

The distinction between individual differences and cultural differences is real and important. The cultural identities to which we belong are no more or less important than is our individual identity. Skin color at birth is an individual difference, but what that skin color has come to mean since birth is cultural. Although culture has traditionally been defined as a multigenerational phenomenon, the broad definition of culture suggests that cultural identities and culturally significant shared beliefs may develop in a contemporary horizontal as well as vertical historical time frame and still be distinguished from individual differences.

The Need for Multicultural Skills

Organizational viability depends increasingly upon the knowledge, skills, abilities, and attitudes of all workers. Management practices are needed that encourage innovation, high performance, and a learning culture that embraces all employees (Macdonald, 1995), regardless of their cultural similarity to their

leaders. It is assumed, often incorrectly, that leaders with global skills will likely have multicultural awareness, knowledge, and skills. Unfortunately, 85% of Fortune 500 firms believe there are insufficient numbers of employees with global leadership skills. According to the Center for Global Assignments survey, even when employees do possess global leadership skills, 60% said they are inadequate for their organizations' needs (*Workplace Visions,* 2000). Interestingly, although leadership is seen as an important fact for global growth, only 8% of executives and managers rated their organization's overall leadership capacity as excellent, while nearly one half (47%) rated this capacity to be only fair or poor (Csoka, 1998). Thus, there seems to be a disconnect between the importance of leadership and culturally related issues and the current leadership capacity available.

Developing multicultural awareness, knowledge, and skills is not an end in itself, but rather a means toward increasing a person's power, energy, and freedom of intentional choice in a multicultural and diverse world. Multicultural awareness, knowledge, and skills increase a person's intentional and purposive decision-making ability by accounting for the many ways that culture influences different perceptions of the same solution. Increasing multicultural awareness has real, tangible outcomes. Research recently conducted by Marianne Bertrand and Sendhil Mullainathan found that résumés randomly assigned White-sounding names such as Emily Walsh and Brendan Baker resulted in 50% more interviews than résumés assigned African American–sounding names such as Lakisha Washington and Jamal Jones (Taylor, 2002). Apart from their names, the résumés, which depicted phantom job seekers, showed the same experience, education, and skills. Another finding was that the likelihood of being called back for an interview rose significantly with credentials like experience and honors for White-sounding names much more than for Black-sounding names. Having an awareness of unconscious biases that may be affecting the status of job applicants is the first step to a fair and equitable selection process that hires applicants based on true ability and not perceived ability.

Leaders need to develop multicultural awareness, knowledge, and skills to respond appropriately to the problems and opportunities of both domestic demographic changes and globalization. As we hope to show in this book, if there are problems in leading a multicultural workforce, there may be assumptions made due to a lack of awareness in the leader. If the problem does not lie there, it may be in missing information, knowledge, or facts about the context. If the problem does not exist within awareness or knowledge, then there is likely a skill deficit.

Addressing these issues for leaders is critical. One needs only to look at results of recent census reports to understand how the world is changing. In the United States, for example, minority groups grew 43% from 1990 to 2000. In fact, in many large U.S. cities, traditional "minorities" now out number traditional "majority" members. Hispanics alone grew 58% and now constitute 13% of the

U.S. population. Although often lumped together, it is critical to realize that this group of Hispanics is made up of Cubans, Mexicans, Puerto Ricans, Dominicans, Salvadorans, and many others (U.S. Census, 2000). In fact, the use of the term *Hispanic* as a blanket label for all who speak Spanish is very offensive to many from Latin American countries who often prefer the term Latino. The United States, however, is not the only country to see large changes in its population. For example, in Japan between 1990 and 1995 the number of nationalities represented rose from 150 to 179 (Ministry of Public Management, 1995). In Australia, the census figures for growth assume a net gain of one international migrant every 5 minutes and 50 seconds (Australian Bureau of Statistics, 2001). The impact that these population changes have on the way leaders interact with their employees and customers has large consequences.

Both legal outcomes and world events can also impact multicultural relations in the work place. Two recent affirmative-action–related lawsuits (*Gratz v. Bollinger et al.,* 2003 [undergraduate lawsuit]; *Grutter v. Bollinger et al.,* 2003 [law school lawsuit]) filed against the University of Michigan by the Center for Individual Rights on behalf of White students initially interpreted as a victory for affirmative action, were viewed much more ambiguously 6 months later (Golden, 2003). The Supreme Court's rulings allowed universities to continue using race as one of many factors in admissions to achieve a diverse student body, but quotas or separate admissions tracks would not be used. One benefit of the filing of these cases has been the resulting research on the benefits of affirmative action. Patricia Gurin and her colleagues have shown that both minority and nonminority students on a more multiculturally diverse campus were more successful compared to those on a more homogeneous campus (Hebert, 2001).

The September 11, 2001, terrorist attacks on the World Trade Center and the Pentagon have also influenced multicultural relations. Using a new database code to track charges alleging employment discrimination related to the events of September 11, the Equal Employment Opportunity Commission reported 654 cases filed under Title VII between September 11, 2001, and September 10, 2002. The charges most frequently cited were issues of discharge and harassment based on national origin, race, and religion (EEOC, 2002). Many of these cases are considered backlash discrimination resulting from the terrorist attacks, but this certainly does not excuse the discriminatory behavior.

International Perspectives on Managing Diversity

Although the United States is often considered the most legalistic country in the world, many countries have laws that protect certain groups, and violation of these laws can result in both financial and reputational losses for companies. For example, in 1977 the Parliament passed the Canadian Human Rights Act, which forbids discrimination on the basis of race, gender, and certain other

grounds. Although this Act covers only federally regulated industries, each Canadian province also has employment laws that must be followed by all organizations doing business in that province (Mentzer, 2002).

The Netherlands' diversity management initiative (Glastra, Meerman, Schedler, & De Vries, 2000) resulted from concerns about the increasing number of unemployed ethnic minorities who were largely to be found in the disappearing low skilled labor industries such as metal working. The Netherlands government responded with policy and incentive initiatives (e.g., immigration policy, employment equity act, job creation venues), but they all failed. As a result, as Glastra et al. state, both the government and employers have adopted diversity management as the foundation for a complete reexamination of identity and relationships in the workplace.

New Zealand was the first country to give women suffrage and still recognizes the roles and rights of indigenous citizens (*Maoris*) and European settlers (*Pakehas;* Ashkanasy, Hartel, & Daus, 2002). While diversity management in the United States often refers to treating all employees the same, diversity management in New Zealand is viewed as individualized treatment aimed at shifting power relations through reducing the power differential between managers and employees (Pringle & Scowcroft, 1996). Pringle and Scowcroft suggest that the diversity initiative in New Zealand evolved from EEO initiatives that were encouraged by discrimination legislation and changing demographics.

Poland takes a societal view, setting agendas for leaders and managers to follow as they address cross-cultural differences (Todeva, 1999). Polish researchers focus on four distinct areas: social anthropology, international dimensions of organizational behavior (e.g., cross-cultural leadership, motivational issues), the way in which culture shapes organizational structures of multinational organizations, and international dynamics in management practices (e.g., communication and negotiation across cultures; Ashkanasy et al., 2002).

Regardless of the country, it is true that laws, and the resulting lawsuits, may encourage organizations to comply, but becoming cross-culturally aware, knowledgeable, and skillful reaps much greater rewards than simply attempting to comply with the law to avoid a lawsuit. As shown in the next section, there is much value to be gained for leaders and organizations in the quest for multicultural awareness, knowledge, and skills.

Value Added by Multiculturalism and Diversity

After decades of debate over whether or not diversity was "good" for organizations, the jury still appears to be out according to research, but as we will show below, corporate America seems to be sold on the idea. In a comprehensive review of 63 studies assessing the effects of diversity on team and organizational outcomes, Jackson, Joshi, and Erhardt (2003) found largely mixed results. They

reported studies on sex diversity that showed positive effects on performance (Jackson & Joshi, 2003; Rentsch & Klimoski, 2001), negative effects on performance (Jehn & Bezrukova, 2003), and nonsignificant results related to performance (Watson, Johnson, & Merritt, 1998).

The pattern of mixed results held for Jackson et al. (2003) when examining studies of international diversity. Some studies found positive effects on performance (Earley & Mosakowski, 2000; Elron, 1997) while others found that international diversity was related to poorer performance over time (Watson et al., 1998).

Studies on racio-ethnic diversity have also been mixed, although Jackson et al. (2003) reported more studies that found a negative effect of racio-ethnic diversity on performance (Jackson & Joshi, 2003; Kirkman, Tesluk, & Rosen, 2001; Leonard, Levine, & Joshi, 2003; Townsend & Scott, 2001) as compared to a positive effect (Richard, 2000). However, Richard's study does offer a great deal of promise, showing that cultural diversity does add value, and that for companies using a growth strategy, diversity can lead to a competitive advantage. Others have argued for the positive impact that cultural diversity can have for organizations in terms of advantages in resource allocation, marketing, enhanced creativity, problem solving, and flexibility (Cox & Blake, 1991).

Although study results are mixed, evidence of value from multiculturalism and diversity is important because there is still backlash against many anti-discrimination programs given that some established majority members are concerned that they are losing ground to minority groups (see Grossman, 2000). As noted in Ashkanasy et al.'s (2002) review of the history of diversity research, some scholars suggest that one of the underlying drivers of modern racism is the assumption that minority groups are receiving a higher status and more recognition in society than they have earned (e.g., Brief, Dietz, Reizenstein Cohen, Pugh, & Vaslow, 2000; Brief & Hayes, 1997; Heilman, Battle, Keller, & Lee, 1998). However, it is also noted that individuals' reactions depend on both their own group membership and the group favored by a policy such as affirmative action (Crosby, 1984; Kravitz & Platania, 1993).

Although academic research provides mixed results as to the value of multiculturalism and diversity, most organizations in the United States appear to embrace the idea. For example, an examination of company Web sites provides a view of strong support:

General Motors is a strong supporter of the Global Sullivan Principles. These principles have their roots in the 1977 Sullivan principles developed for South Africa by the late Reverend Leon H. Sullivan. These principles provide guidance to companies worldwide "regarding core issues such as human rights, worker rights, the environment, community relations, supplier relations, and fair competition." Reverend Sullivan was the first African American to be appointed to the Board of Directors of a major U.S. company when he accepted General Motors' invitation in 1971.

The objectives of the Global Sullivan Principles are to . . . support human rights and to encourage equal opportunity at all levels of employment including racial or gender diversity on decision making committees and boards; to train and advance disadvantaged workers for technical, supervisory and management opportunities; and to assist with greater tolerance and understanding among peoples; thereby helping to improve the quality of life for communities, workers and children with dignity and equality. (http://www.gm.com/company/gmability/sustainability/reports)

Citicorp states,

With a presence in more than 100 countries, where some 98 percent of our employees are hired locally, Citigroup is perhaps the most diverse company in the world. The diversity has been a source of strength for Citigroup's 250,000 employees, for our clients and for the communities where we live and work. . . . Citicorp values a work environment where diversity is embraced, where people are promoted on their merits, and where people treat each other with mutual respect and dignity. (http://careers.citigroup.com/diversity)

McKinsey's Statement on Diversity states,

McKinsey aspires to be the leading professional services firm in attracting, retaining, developing, and advancing exceptional individuals from the global talent pool. We bring together men and women from a wide variety of backgrounds and experiences to serve our diverse client base. McKinsey's consultants come from 90 different countries and speak more than 65 languages. By encouraging mobility throughout our more than 80 worldwide offices, our firm ensures that the benefit of our diversity is available to clients around the world. Our firm is committed to creating a work environment that supports, inspires, and provides respect for our colleagues' individuality, regardless of race, ethnicity, gender, sexual orientation or other identities. (http://www.mckinsey.com/aboutus/careers/people/diversity/divstate.asp)

Colgate-Palmolive states,

Nearly 40,000 Colgate People reflect the diverse richness of cultures around the globe. As a company, we celebrate differences, promote an inclusive environment, and value the contributions of all Colgate people. Our concept of diversity goes beyond that of race, creed, ethnicity and gender. We look to promote an inclusive environment and support the diversity of thinking that results from the differences in experiences, knowledge and background of all Colgate people. Diversity of thinking will help us continue to encourage the creativity and innovation necessary for our Company to maintain a competitive advantage in the global marketplace. (http://www.colgate.com/app/Colgate/US/Corp/Careers/Diversity.cvsp)

Lee Raymond, CEO and Chairman, Exxon Mobile Corporation, wrote the following in a letter to employees about the company's diversity goals:

> Having a workforce that is as diverse as your business is a key competitive advantage. Our success is a direct reflection of the quality of our employees. We strive to attract the best people and to provide them the best career opportunities in our industry. In doing so, we've built a diverse global workforce that is focused on producing superior business results. (http://www.exxonmobil.com/Global-English/HR/About/HR_GL_What_diversity.asp)

Understanding the importance of instilling a multicultural view in its leaders, United Parcel Service (UPS) stands as a benchmark organization. In a speech given to the Southern Institute of Ethics Diversity Management Network, Cal Darden, senior vice president of U.S. Operations for UPS, discussed the benefits of diversity leadership. This is an important topic for UPS as 35% of this 360,000-member workforce, and 52% of their new hires, are members of minority groups. Darden believes that diversity leadership results in leaders who inspire loyalty and their employees' best efforts. Externally, diversity leadership can attract investors as more and more people desire to invest in socially responsible companies.

Darden (2003) describes UPS's Community Internship Program, which shows the relationship between diversity and multiculturalism. This selective program chooses 50 high-potential managers each year. The interns leave their jobs behind for one month and travel, not to a distant country, but to a distant community. In 2002, the interns were assigned to one of three locations:

The Henry Street Settlement, a social services agency in New York

McAllen, Texas, an immigrant border town

An Appalachian mountain community near Chattanooga, Tennessee

The one urban and two rural locations were chosen purposefully to allow all interns to be placed in an unfamiliar environment, removing them from their comfort zone. The interns participate in community projects day and night while living in very frugal conditions. The interns are required to keep a daily log of activities performed, and they discuss their experiences with each other and social workers.

Interestingly, this very timely, culturally rich program was started by UPS in 1968. The company has spent around $13 million ($10,000/intern) and feels that this investment has yielded a substantial return because the interns return to work more aware of societal conditions and why they exist. This results in leaders who are more sensitive to problems that can exist for employees and who listen to employees with more empathy.

As measurement becomes more important for justifying business expenditures, there have been attempts to quantify the dollar value of diversity training. In 2001, Nextel instituted diversity training to increase awareness with the objective of training to improve employee retention, satisfaction, and productivity

(Kirkpatrick, Phillips, & Phillips, 2003). Their All-Inclusive Workplace training session was attended by all 13,000 employees. After a comprehensive return-on-investment (ROI) study was completed, Nextel conservatively determined that their diversity awareness training program had saved the company $3,204,000 in one year in turnover costs alone. The ROI was calculated to be 163%. For every dollar spent on training ($1,216,836 in this case), Nextel received $1.63 as a net benefit. These figures are based on the tangible benefits alone. Although Nextel did not attempt to quantify intangible benefits of awareness training, managers reported improved relationships with employees and more cooperation and communication among staff, and employees reported better teamwork and improved relationships with their managers.

Why Focus on Leaders?

First we must clarify the distinction between leaders and managers. Many writers use the terms interchangeably, but there are important distinctions between the two. Managers are appointed, and they have legitimate power that allows them to reward and punish employees. The formal authority granted them by their position gives managers their ability to influence employees. Conversely, leaders may either be appointed or emerge from a group of employees, and they can influence others beyond their formal authority in an organization. When determining leadership capacity, however, we do not view leadership as the sole responsibility of the CEO or vice presidents. Leadership within an organization can be found at every level, as inferred by this definition of leadership: "The act of one person guiding another or others toward the attainment of an objective" (Rodrigues, 2001, p. 427). Adler (1999) suggests that a leader is "someone who sets ideas, people, organizations, and societies in motion; someone who takes the worlds of ideas, people, organizations, and societies on a journey. To lead such a journey requires vision, courage, and influence" (p. 51). Taking the definition of leadership a step farther, Gessner, Arnold, and Mobley (1999) state that

> leadership involves people in business settings whose job or role it is to influence the thoughts and actions of others to achieve some finite set of business goals . . . usually displayed in large, multicultural contexts; that is, not just from one's native perspective. (p. xv)

Obviously, leadership viewed in this way encompasses both traditional leaders and those at all levels of an organization's hierarchy who play a critical role in attaining business objectives working with others. The term *followers* will be used periodically in this book referencing those the leaders are leading, with the understanding that anyone in an organization could play the role of follower, depending on the situation.

Important questions related to managers and leaders that have been asked are: Should all managers be leaders? Should all leaders be managers? Given that it has never been demonstrated that leadership ability hurts managerial ability, it has been stated that all managers should ideally be leaders (Robbins & DeCenzo, 2004). However, although leaders must be able to direct employees, they do not necessarily have the capabilities to conduct the other functions related to management successfully (i.e., plan, organize, control).

How important is leadership? Few could deny the impact that a great leader (or, unfortunately, a poor leader) can have on an organization's performance and employee morale. Leadership pervades an organization, and leaders shape their organizational cultures according to their own preferences and beliefs (Schein, 1992).

For example, when John Mack took over troubled Credit Suisse First Boston (CSFB) in July 2001, rumors abounded about the company being a dead franchise that should be sold off. Analysts, however, predicted a $350 million net profit by the end of 2003 versus the $1.2 billion loss of the year before (Sellers, 2003). Part of Mack's formula for success included cutting costs by more than $3 billion, reducing the number of employees from 27,500 to 17,500, selling off some subsidiaries, persuading executives to give back $421 million in cash pay, and eliminating multiyear guaranteed-pay contracts, all while encouraging his people to get out of their comfort zones (Sellers, 2003).

When Jean Monty was CEO of Nortel (Northern Telecom), Ontario, Canada, he took the organization from a $1.03 billion loss to $473 million profit in less than 2 years. When Bob Moffat took over IBM's personal computer division in July 2000, it had lost $1.5 billion in the previous 3 years (during the same time Dell made $4.8 billion). The first thing Moffat did was promise profits for the first quarter he was in charge. His division was inspired and delivered $99 million in profits for his first two quarters (Fishman, 2001). Moffat has realized success by being a straight talker who provides his managers with a "playbook" to help execute IBM's strategy.

Albert Dunlap earned the nickname "Chainsaw Al" from the media because he often sells off assets and fires people when he takes over a company. But few can deny his leadership ability. In his first 603 days at Scott Paper Company in the mid 1990s, the stock increased in value by $6.5 billion. That works out to more than $10 million per day (Dunlap, 1996).

Another example can be found in A. G. Lafley, who took over Procter & Gamble (P&G) in 2000. Lafley is an unassuming leader who is known for his openness and authenticity (Useem, 2003). He led P&G, a $43 billion company, back to profitability while endearing himself to both Wall Street and his employees.

These are just a few of the thousands of examples that could be used to show that leadership makes a difference and impacts millions of lives every day.

However, one thing that was missing from the above examples was a stated leadership focus on culture.

> All business is global, yet all markets are local. This globalized, multicultural world needs leaders with a keen understanding of national cultures. By learning from other countries, these leaders develop the best thinking and best practices from around the world, enabling them to leverage culture as a tool for competitive advantage. (Rosen, Digh, Singer, & Phillips, 2000, p. 171)

We are not suggesting that the leaders mentioned above do not value culture. In fact, Schein (1992) states that leadership and organizational culture are two sides of the same coin. However, it is also important to point out that organizations, and their leaders, also reflect national cultures (van Oudenhoven, 2001). Below, we offer an example of two leaders who explicitly understand the importance of culture:

Leo van Wijk, CEO of KLM Royal Dutch Airlines, states that his company is a bridger of cultures, with 13 million passengers a year, many from a wide variety of cultures. KLM, established in 1919, is the world's oldest and fourth largest international airline with 26,800 employees in 350 offices in 94 countries. Van Wijk, a culturally literate leader who listens and shares what is learned from around the world, uses his knowledge of cultures to form alliances and connections with individuals and organizations, such as KLM's extensive partnership formalized with Northwest Airlines in 1997 (Rosen et al., 2000). Van Wijk shows that he truly considers the importance of culture by allowing employees in other countries to keep their own cultural elements intact as much as possible. "We understand that they do things differently other places; as long is doesn't interfere with our overall objectives and image to the customer, that's fine with us" (Rosen et al., 2000, p. 193). Van Wijk also understood that in dealing with different cultures, leaders need to recognize that they are dealing with different "fabrics of meaning" (Geertz, 1973). In his interactions with Americans, he realized that even though both parties spoke English, there was still ample room for misunderstandings even though the words were the same:

> We tend to think the values being created on the other side are exactly the same because we speak the same language, but that's not the case. It takes a long time to understand the mental and cultural setting of a statement, even if the words are the same. (Rosen et al., 2000, p. 193)

T. Fujisawa, co-founder of Honda Motor Co., states, "Japanese and American management is 95 percent the same, and differs in all important respects" (quoted in Dorfman, 2004, p. 265). Andre Laurent (1986) makes the following observation about the influence of one's nationality based on his studies of multinational corporations in the 1980s:

> Overall and across 56 different items of inquiry, it was found that nationality had three times more influence on the shaping of managerial assumptions than any of the respondents' other characteristics such as age, education, function, type of company . . . etc. (p. 93)

Thus, Laurent suggests that multinational companies do not and cannot submerge the individuality of different cultures, since the template for behaviors isn't from the company—but from the national culture.

Peter Ma is CEO of Ping An, an insurance company founded in 1988 as China's first partially employee-owned company. During its first year, Ping An had 10 employees and $30 million in assets. Today it has more than 130,000 employees and $30 billion in assets. Ma claims that much of Ping An's success comes from its ability to keep one foot in traditional Chinese culture and one foot in the world while constantly learning and modernizing Chinese culture (Rosen et al., 2000).

Unpublished data from a Conference Board Survey (Berman, 1997) show that 91% of surveyed CEOs rated leadership as the most critical factor for global growth and more important than business, management, and environmental factors (reported in Csoka, 1998). As we show in Chapter 4, many of the competencies necessary for successful global assignments are also necessary for successful domestic interactions in a diverse environment. Competencies such as creating a shared vision, developing and empowering people, appreciating cultural diversity, sharing leadership, living the values, and embracing change (Stewart, 1999) are just as appropriate for global leaders as for domestic leaders working in a multicultural environment.

This book is aimed at leaders because they set the tone for the climate of the organization. Leaders set the expectations for the company. It is common knowledge that the quickest way to a failed human resource implementation is to attempt to execute it without leader support. In addition, "The leader, being in the forefront, is usually the first to encounter the world outside the boundaries of the organization. The more you know about the world, the easier it is to approach it with assurance" (Kouzes & Posner, 2002, p. 392). Thus, the more leaders know about cultural influences, the better able they will be to direct the organization by understanding the behaviors of both their own employees and others outside the organization.

Focusing on behaviors is important because behaviors have no meaning outside their cultural context. Leaders need to understand each culturally learned behavior in the context of where that behavior was learned and is displayed. Attempting to change behavior that was learned in one context, in a culturally different context is unlikely to succeed, causing negative consequences for the organization, the leader, and the employee.

The focus is also on leaders because they can make or break a company. Warren Bennis studied 90 of the most effective and successful leaders in the United States and found that they had four common competencies: They had

a compelling vision or sense of purpose; they could communicate that vision in clear terms that their followers could readily identify with; they demonstrated consistency and focus in the pursuit of their vision; and they knew their own strengths and weaknesses (Bennis, 1984). Many of these characteristics are similar to those of transformational leaders who pay attention to the concerns and developmental needs of individual employees, help employees look at problems in new ways, and excite and inspire employees to put forth extra effort to achieve goals (Bass & Avolio, 1990).

Conclusion

Chapter 1 should give the reader a better sense of the importance of being multiculturally aware, knowledgeable, and skillful. Demographic changes will continue at a rapid pace, making the need for these competencies more critical than ever. The principles presented in this book are not solely for top-level CEOs, but for all employees who influence others in the workplace, whether this influence is based on formal authority or informal norms. Being multiculturally competent can help every employee to get more out of every relationship in the workplace. To give a better understanding of both diversity and multiculturalism, the next chapter focuses on the complexity of culture, which plays a large role in both diversity and multiculturalism efforts.

CHAPTER 1 DISCUSSION QUESTIONS

1. What type of influence will a leader likely have if he or she does not consider culture when making decisions?

2. Are *diversity* and *multiculturalism* distinct terms, or do you believe that they are really talking about the same concept? How would you define each one using your own words?

3. What factors influence the strategy (multiculturalism, separation, assimilation, or deculturation) most prevalent in U.S. organizations in dealing with diversity and multiculturalism?

4. Beyond demographic changes stated in the Census 2000 report, is the need for multicultural skills higher today than 10 years ago?

Critical Incident: Culture and Performance Feedback

"No one said it was going to be easy," thought Stan as he slumped down in his chair, reading the memo that requested his presence in his boss's office. Stan was recently promoted to Vice President of Manufacturing at a large automobile assembly plant in the Midwest. One of his first encounters with his new staff

had not gone well. When Stan was a manager of line workers, he learned that his employees from a Hispanic culture reacted differently to feedback than did his employees raised in an American culture. The American employees who received positive performance reviews would often improve their subsequent performance, whereas his Hispanic employees' performance would usually remain stable. After several years of similar outcomes, Stan realized that the Hispanic employees were much less likely than their American counterparts to exceed the informal work goals established by their peers as an acceptable level of output, regardless of the feedback they received. Based on his experience, Stan began to alter the type of feedback he gave to his Hispanic employees compared to the American employees. For the American employees, he would give the traditional individual level performance feedback, but for his Hispanic employees, he would give group level feedback and let them know where they stood as a group in relation to other employees grouped for this purpose only. He achieved the results he was looking for and everyone seemed pleased with the outcomes. Now he had a new problem. With his recent promotion, he was in charge of conducting performance evaluations on the managers of the assemblers. Knowing that his CEO was expecting results quickly, or his job could be on the line, Stan figured he would use his knowledge of his previous evaluations with employees from different cultures and rate his American managers individually, while rating his Hispanic managers collectively. Stan was quite pleased with himself, figuring he saved himself some valuable time until a parade of angry Hispanic managers came through his office. They could not have been more upset. All of them were accusing Stan of being biased and threatening lawsuits against the company and Stan personally.

CRITICAL INCIDENT DISCUSSION QUESTIONS

1. Did Stan make appropriate assumptions based on his knowledge of his Hispanic employees?

2. Was it appropriate for Stan to provide individual level feedback to his American assemblers and group level feedback to his Hispanic assemblers?

3. How should Stan have handled the performance evaluations of his managers?

4. What should Stan do now?

Exercise 1: Coalitions and Trust Formation

OBJECTIVE

This experience examines the importance of trust in the creation of lasting coalitions for a mixed group.

DESCRIPTION

Coalition formation is an important process in multicultural societies. This activity looks at how coalitions might be predicted among three individuals dividing up a sum of money. Normally the group will begin by dividing the sum in approximately equal amounts within the first minute and declare the experiment completed. The facilitator will remind them that the experiment must last 5 minutes. The three parties will then sit quietly for about another minute or two. Finally one of the three people will ask the facilitator if majority rule means that any two of the parties could divide the money as they wished. The facilitator will agree that these are the rules. Then one of the parties will suggest to one other party that they split the money 50-50, cutting the third party out completely. At that point the person being cut out will offer to give up three quarters in exchange for keeping the fourth quarter and cutting out the person who originally suggested a 50-50 split. The person who suggested the 50-50 split will be left out of the final coalition in most instances because, presumably, he or she cannot be trusted, and the final coalition will typically be a 75-25 split between the other two parties.

Time required: 30 minutes or less

Risk/expertise level: Low

Participants needed: Any number of participants plus one facilitator

PROCEDURE

1. Recruit three volunteers representing different cultural groups, broadly defined, for a 5-minute experiment.

2. Seat all three people around a table, with the other participants seated or standing so they can hear what is happening.

3. Lay four 25-cent coins in front of the three persons and instruct them that the distribution of the total sum of money will depend on majority rule by the three parties in this experiment.

4. The amount of money cannot be divided into smaller units such as dimes and nickels.

5. Typically the three people will divide the money as equally as possible and declare the activity over.

6. At that point you remind them that the activity is to last a full 5 minutes, and you sit quietly and wait.

7. Within a minute or two one of the players will suggest a two-way split of the money and the other person will agree.

8. Within another minute the third person will agree to a 60%-40% split rather than lose everything, and that coalition will last, cutting out the first person, who suggested a 50-50 split.

DEBRIEFING

In the debriefing the facilitator may want to explore the logic behind whatever distribution of the four quarters occurred during the 5 minutes and why. Some discussion questions may include the following:

1. Why was the first person to suggest a 50-50 split cut out of the lasting coalition?

2. What strategy would you use to end up with the most money?

3. Would the same dynamics occur in all cultures?

4. If the negotiation were not about money, would the outcome be different?

5. What feelings did you have during the activity?

INSIGHT

Lasting coalitions across different cultures and individuals depend on each party trusting the other party or parties.

SOURCE: Pedersen, P. B. (2004). *110 experiences for multicultural learning.* Washington, DC: American Psychological Association Press.