

Diversity management, risks, and minimum policy to eliminate them 1/13/24



Head of Pan-Baltic Diversity and Inclusion
Practice, PwC Latvia
Agnese Cimdiņa

Diversity in organisations does not primarily mean differences in people's visual appearance, gender or skin colour. Organisations have both visible and invisible diversity that can be encountered at individual, group and department level. While the potential and challenges are lying hidden in what's invisible, we are used to measuring and accounting for what's visible. Why is this an issue? And what risks does it entail? This article explores the essence of diversity management, risks and the initial minimum policy to eliminate them.

Diversity is a reality, not a choice

Diversity is not a sudden phenomenon. Diversity management in the corporate world became topical already in the 1960s (initially in the US), yet the high indicators of discrimination, the rapid rise of globalisation, migration and mobility, staff shortages (particularly in Europe), as well as challenges related to equality, sustainability and competitiveness make diversity management an urgent current issue in the corporate and public sector. Furthermore, diversity is a reality, not a choice. The choice lies in attitude, understanding, competence acquisition, management style, and strategy.

As observed in Nordic and Baltic regions, diversity and inclusion (D&I) incentives has so far mainly focused on increasing the number of women at various management levels in organisations, while business needs have been related to a broader skill set and diversity potential to boost competitiveness. Thus, the D&I approach has been insufficiently linked with boosting the growth potential in organisations. Organisations in general are facing three parallel D&I related HR challenges:

1. Broadening the diversity at various management levels or diversifying the composition of management in organisations
2. Developing knowledge of staff diversity potential and management
3. Dealing with staff shortages

The focus on accounting for the visible diversity (e.g. gender and race) has not only narrowed the understanding of the essence of diversity management but also shifted attention away from risks inherent in the lack of competence in diversity management.

Diversity as the iceberg of identity

Diversity is a fact - there are no two identical individuals. Diversity is the combination of a person's unique and distinct characteristics. Diversity is a relational concept that becomes relevant in interaction - we are different in communicating with others or as seen by others, not in relation to ourselves. That's why the type and amount of diversity will vary according to the social context, the group composition, the significance attached to diversity, and the nature of its dimensions or how they interact.

Diversity dimensions range from visible differences (gender, age, skin colour, etc.) to invisible (life experience, education, prejudices, values, socio-economic background, etc.). Knowledge of the invisible dimensions requires a deeper understanding. This may be the reason why the invisible dimensions in the D&I field are getting less attention. Yet this lack of attention is a significant obstacle to linking D&I with value creation, which is ultimately the foundation of business.

I tend to group the main diversity dimensions into five categories:

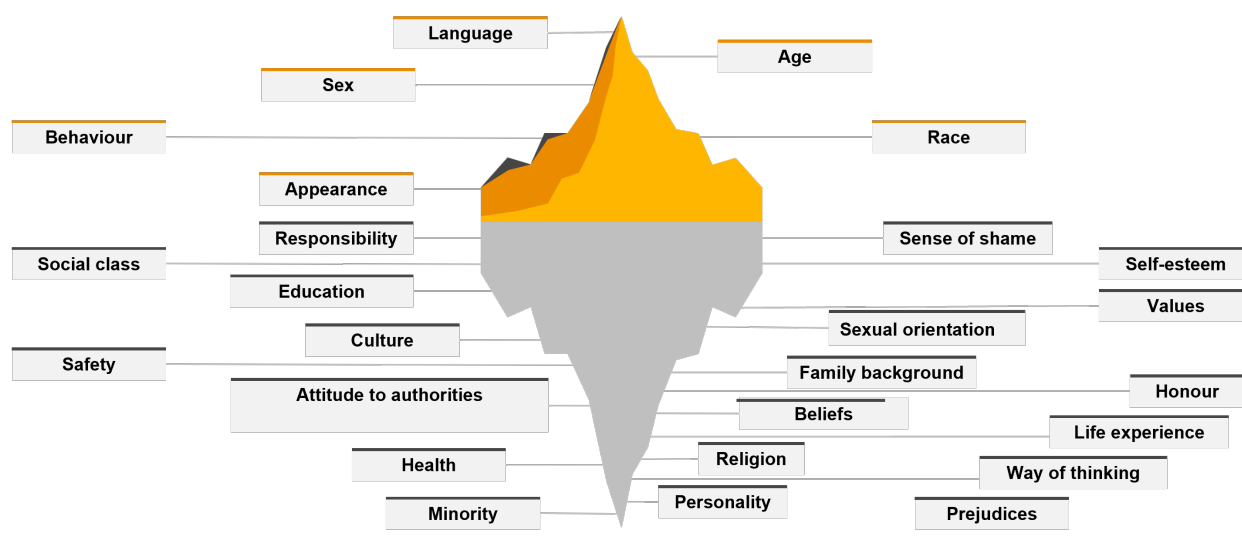
1. Demographic
2. Physical and cognitive
3. Related to personality
4. Sociocultural and socio-economic
5. Related to organisation and competence

Some of these are innate, but most are acquired in the course of our lives.

In the context of D&I, consultants and business leaders tend to focus primarily on the visible dimensions (age, gender and race) and not on the ones in which diversity potential is lying hidden. In other words, if we look at the essence of diversity management, these demographic dimensions are not the ones that affect productivity, the ability to innovate, wellbeing or other indicators of competitiveness in organisations. Diversity potential is lying hidden in the invisible dimensions.

I suggest to imagine the ratio of visible to invisible diversity dimensions as an iceberg of human identity, with the visible portion representing just a tiny part. The invisible portion of the identity iceberg is large but does not get sufficient attention in terms of D&I, even though it directly affects our performance and potential in the organisation.

Identity



Source: Adapted from Brenna, L.R. 2018

Source: Adapted from Brenna, Loveleen R. 2018: *Mangfoldsledelse. Mangfold og likestilling som bærekraftig konkurransefortrinn.* Cappelen Damm. Oslo

Enhancing diversity without competence and management

CEOs tend to know how many men and women their organisation employs, how many workers are approaching retirement age, how many races or ethnicities and languages are represented, and how many workers have visible signs of a disability. However, regardless of their proportions, these figures will not reflect the potential for diversity and value creation in a company. The efficiency of meetings, teamwork, work processes, problem solving, and development of services will not depend on gender or skin colour but rather on the invisible dimensions – experience, world view, personality, creativity, sense of humour, shame or confidence, sense of security or insecurity, socio-economic and cultural aspects, etc. All of these affect the ability of staff and managers to work together, deal with various situations, see new opportunities, as well as willingness to challenge assumptions and learn, curiosity, creativity, management style, etc.

If we get carried away with accounting for and enhancing diversity without understanding the significance of the invisible diversity dimensions and how they interact with the management style, work performance and power relations in our organisation, such an approach to D&I, firstly, prevents us from linking diversity with value creation and, secondly, may pose significant diversity-related risks, such as staff discontent, poorer performance, conflicts, weaker communication and a sense of not-belonging. Furthermore, it may entail risks of creating boundaries, in-groups and out-groups, and damaged reputation.

The impact of D&I in the organisation will depend not only on the type and amount of diversity, the group composition and boundaries but mainly on the leaders' ability to understand and strategically manage diversity with clearly defined goals, on the significance attached to diversity, and the overall diversity maturity in the organisation.

When it comes to tidying up the D&I practice in the organisation, it's essential to be aware that diversity as such does not offer any (innovation, productivity, wellbeing, etc.) guarantees – it can have both negative and positive results. The impact of diversity in the organisation will depend on the diversity competence of the managers and staff, the chosen diversity management approach, and diversity maturity. If the maturity is at least average, the diversity competence developed and management approach strategic, then there is a solid ground to achieve the positive D&I results announced by a number of international reports and studies – greater potential for innovation and growth, new markets, better global competitiveness, higher efficiency of human resources, better corporate culture, more successful implementation of change, etc.

The initial minimum diversity policy

To understand how you should go about building your diversity management policy and practice, you need to understand what diversity management is and what you want to achieve through it. Below are a few definitions and minimum preconditions for diversity management derived from the Norwegian and Danish national diversity management standards, the International Society of Diversity Management, and the Oxford Handbook of Diversity in Organisations.

1. The definition of a leader's competencies:

Diversity management is diversity competence and diversity maturity demonstrated in practice by management work.

1. The definition of basic elements of diversity management:

Diversity management is a value-based strategy, a process of communication and management that accepts and uses certain diversity dimensions and differences as potential in the organisation.

1. The definition of the purpose of diversity management:

Diversity management is a systematic management approach aimed at tapping into and utilising diversity potential, achieving a positive result for the organisation, employees and stakeholders, and linking diversity with value creation.

Since diversity management is affected by conscious and unconscious assumptions as well as by an understanding of society groups and the role of diversity, the initial precondition for successful diversity management is diversity competence at every level in the organisation, which includes being aware of power relations, your own and others' worldview, forms of communication and prejudices, as well as the ability to see diversity potential in task solving and to formulate D&I goals.

The minimum diversity policy should include:

- A definition of diversity in the organisation
- The purpose of D&I work in the organisation
- A description of how the policy interacts with the organisation's overall vision, mission or purpose
- Identified areas of management and staff responsibility
- Definitions of and a ban on discriminatory attitudes and offensive behaviours (including intimidation and harassment)
- A description of the consequences of ignoring the policy

Once the policy has been formulated and communicated throughout your organisation, it's advisable to measure or determine diversity maturity in the organisation in order to identify possible challenges and the need to raise diversity competence, and to start building diversity management strategy with concrete steps and measurable results to achieve the goals. However, if the management are aware they do not have an initial understanding necessary to draw up a minimum diversity policy, then it's advisable to begin by acquiring diversity competence.

If you are interested in a deeper understanding of this topic, you are welcome to attend a training course "Diversity Management: from Competence to Strategy" in September 2024 (in English). If two or more company representatives apply for training, we offer adapted terms.