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ARTICLE

When you put your employees' *differences* to work, your company wins.

Making Differences Matter: *A New Paradigm for Managing Diversity*

by David A. Thomas and Robin J. Ely

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THE IDEA IN BRIEF

You know that workforce diversity is smart business: It opens markets, lifts morale, and enhances productivity. So why do most diversity initiatives backfire—heightening tensions and *hindering* corporate performance?

Many of us simply hire employees with diverse backgrounds—then await the payoff. We don't enable employees' differences to transform *how our organization does work*.

When employees use their differences to shape new goals, processes, leadership approaches, and teams, they bring more of themselves to work. They feel more committed to their jobs—and their companies grow.

How to activate this virtuous cycle? Transcend two existing diversity paradigms: **assimilation** ("we're all the same") or **differentiation** ("we celebrate differences"). Adopt a new paradigm—**integration**—that enables employees' differences to matter.

THE IDEA AT WORK

	Assimilation Paradigm	Differentiation Paradigm
Premise	"We're all the same."	"We celebrate differences."
Strategy	Hire diverse employees; encourage uniform behavior.	Match diverse employees to niche markets.
Advantage	Promotes fair hiring.	Expands markets.
Disadvantages	Subverting differences to encourage harmony, companies miss out on new ideas. Feeling detached from their work, employees' underperform.	Pigeonholed, staff can't influence mainstream work. Employees feel exploited and excluded from other opportunities.
Example	At a consulting company emphasizing quantitative analysis, minority managers encounter skepticism when they suggest interviewing clients. Labeling the incident as racial discord, the firm doesn't explore the potentially valuable new consulting approach.	To improve oversees operations, a U.S. bank assigns Europeans to its foreign offices. They excel—but the company doesn't know why. Not integrating diversity into its culture and practices, it becomes vulnerable: "If the French team resigns, what will we do?!"

The Integration Paradigm

The **integration paradigm** *transcends* assimilation and differentiation—promoting equal opportunity *and* valuing cultural differences. Result? Employees' diverse perspectives positively impact companies' work.

EXAMPLE:
A public-interest law firm's all-white staff's clients are exclusively white. It hires female attorneys of color, who encourage it to pursue litigation challenging English-only policies. Since such cases didn't fall under traditional affirmative-action work, the firm had ignored them. By taking them, it begins serving more women—immigrants—and enhances the quality of its work. The attorneys of color feel valued, and the firm attracts competent, diverse staff.

Additional suggestions for achieving integration:

1. **Encourage open discussion of cultural backgrounds.**

   EXAMPLE:
   A food company's Chinese chemist draws on her cooking—not her scientific— experience to solve a soup-flavoring problem. But to fit in, she avoids sharing the real source of her inspiration with her colleagues—all white men. Open discussion of cultural differences would engage her more fully in work and workplace relationships.

2. **Eliminate all forms of dominance (by hierarchy, function, race, gender, etc.) that inhibit full contribution.** When one firm opened its annual strategy conference to people from all hierarchy levels, everyone knew their contributions were valued.

3. **Secure organizational trust.** In diverse workforces, people share more feelings and ideas. Tensions naturally arise. Demonstrate your commitment to diversity by acknowledging tensions—and resolving them swiftly.

What will it take for organizations to reap the real and full benefits of a diverse workforce? A radically new understanding of the term, for starters.

MAKING DIFFERENCES MATTER: A NEW PARADIGM FOR MANAGING DIVERSITY

by David A. Thomas and Robin J. Ely

Why should companies concern themselves with diversity? Until recently, many managers answered this question with the assertion that discrimination is wrong, both legally and morally. But today managers are voicing a second notion as well. A more diverse workforce, they say, will increase organizational effectiveness. It will lift morale, bring greater access to new segments of the marketplace, and enhance productivity. In short, they claim, diversity will be good for business.

Yet if this is true–and we believe it is–where are the positive impacts of diversity? Numerous and varied initiatives to increase diversity in corporate America have been under way for more than two decades. Rarely, however, have those efforts spurred leaps in organizational ef-

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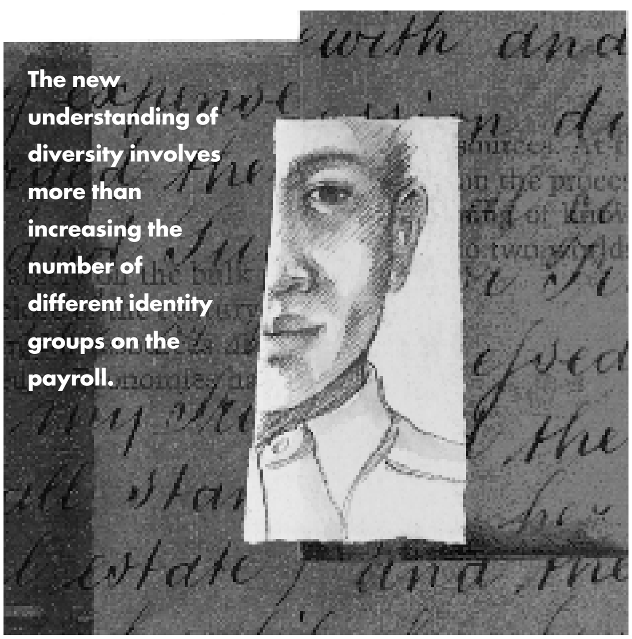
ILLUSTRATIONS BY NARDA LEBO

fectiveness. Instead, many attempts to increase diversity in the workplace have backfired, sometimes even heightening tensions among employees and hindering a company's performance.

This article offers an explanation for why diversity efforts are not fulfilling their promise and presents a new paradigm for understanding – and leveraging – diversity. It is our belief that there is a distinct way to unleash the powerful benefits of a diverse workforce. Although these benefits include increased profitability, they go beyond financial measures to encompass learning, creativity, flexibility, organizational and individual growth, and the ability of a company to adjust rapidly and successfully to market changes. The desired transformation, however, requires a fundamental change in the attitudes and behaviors of an organization's leadership. And that will come only when senior managers abandon an underlying and flawed assumption about diversity and replace it with a broader understanding.

Most people assume that workplace diversity is about increasing racial, national, gender, or class representation – in other words, recruiting and retaining more people from traditionally underrepresented "identity groups." Taking this commonly held assumption as a starting point, we set out six years ago to investigate its link to organizational effectiveness. We soon found that thinking of diversity simply in terms of identity-group representation inhibited effectiveness.



Organizations usually take one of two paths in managing diversity. In the name of equality and fairness, they encourage (and expect) women and people of color to blend in. Or they set them apart in jobs that relate specifically to their backgrounds, assigning them, for example, to areas that require them to interface with clients or customers of the same identity group. African American M.B.A.'s often find themselves marketing products to inner-city communities; Hispanics frequently market to Hispanics or work for Latin American subsidiaries. In those kinds of cases, companies are operating on the assumption that the main virtue identity groups have to offer is a knowledge of their own people. This assumption is limited – and limiting – and detrimental to diversity efforts.

What we suggest here is that diversity goes beyond increasing the number of different identity-group affiliations on the payroll to recognizing that such an effort is merely the first step in managing a diverse workforce for the organization's utmost benefit. Diversity should be understood as *the varied perspectives and approaches to work* that members of different identity groups bring.

Women, Hispanics, Asian Americans, African Americans, Native Americans – these groups and others outside the mainstream of corporate America don't bring with them just their "insider information." They bring different, important, and competitively relevant knowledge and perspectives about how to actually *do work* – how to design processes, reach goals, frame tasks, create effective teams, communicate ideas, and lead. When allowed to, members of these groups can help companies grow and improve by challenging basic assumptions about an organization's functions, strategies, operations, practices, and procedures. And in doing so, they are able to bring more of their whole selves to the workplace and identify more fully with the work they do, setting in motion a virtuous circle. Certainly, individuals can be expected to contribute to a company their firsthand familiarity with niche markets. But only when companies start thinking about diversity more holistically – as providing fresh and meaningful approaches to work – and stop assuming that diversity relates simply to how a person looks or where he or she comes from, will they be able to reap its full rewards.

Two perspectives have guided most diversity initiatives to date: the *discrimination-and-fairness paradigm* and the *access-and-legitimacy paradigm.* But we have identified a new, emerging approach to this complex management issue. This approach, which we call the *learning-and-effectiveness paradigm,* incorporates aspects of the first two paradigms but goes beyond them by concretely connecting diversity to approaches to work.

Our goal is to help business leaders see what their own approach to diversity currently is and how it may already have influenced their companies' diversity efforts. Managers can learn to assess whether they need to change their diversity initiatives and, if so, how to accomplish that change.

The following discussion will also cite several examples of how connecting the new definition of diversity to the actual *doing* of work has led some organizations to markedly better performance. The organizations differ in many ways – none are in the same industry, for instance – but they are united by one similarity: Their leaders realize that increasing demographic variation does not in itself increase organizational effectiveness. They realize that it is *how* a company defines diversity – and *what it does* with the experiences of being a diverse organization – that delivers on the promise.

The Discrimination-and-Fairness Paradigm

Using the discrimination-and-fairness paradigm is perhaps thus far the dominant way of understanding diversity. Leaders who look at diversity through this lens usually focus on equal opportunity, fair treatment, recruitment, and compliance with federal Equal Employment Opportunity requirements. The paradigm's underlying logic can be expressed as follows:

> Prejudice has kept members of certain demographic groups out of organizations such as ours. As a matter of fairness and to comply with federal mandates, we need to work toward restructuring the makeup of our organization to let it more closely reflect that of society. We need managerial processes that ensure that all our employees are treated equally and with respect and that some are not given unfair advantage over others.

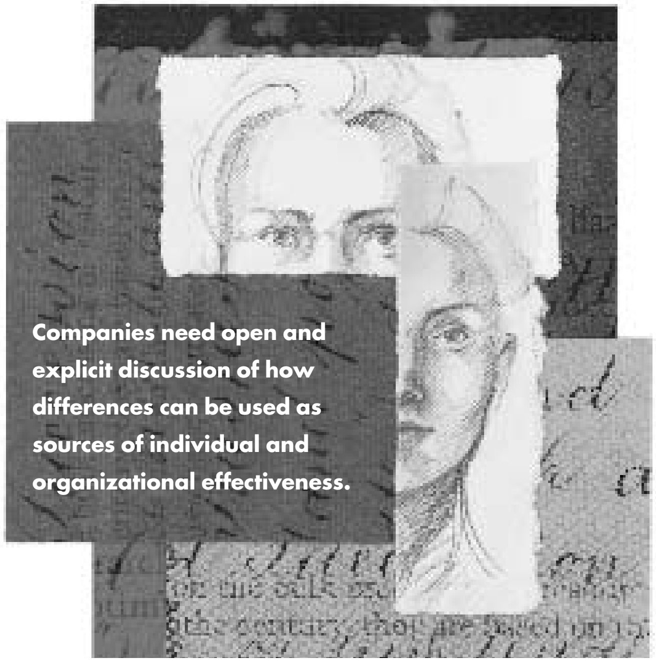
Although it resembles the thinking behind traditional affirmative-action efforts, the discrimination-and-fairness paradigm does go beyond a simple concern with numbers. Companies that operate with this philosophical orientation often institute mentoring and career-development programs specifically for the women and people of color in their ranks and train other employees to respect cultural differences. Under this paradigm, nevertheless, progress in diversity is measured by how well the company achieves its recruitment and retention goals rather than by the degree to which conditions in the company allow employees to draw on their personal assets and perspectives to do their work more effectively. The staff, one might say, gets diversified, but the work does not.

What are some of the common characteristics of companies that have used the discrimination-and-fairness paradigm successfully to increase their demographic diversity? Our research indicates that they are usually run by leaders who value due process and equal treatment of all employees and who have the authority to use top-down directives to enforce initiatives based on those attitudes. Such companies are often bureaucratic in structure, with control processes in place for monitoring, measuring, and rewarding individual performance. And finally, they are often organizations with entrenched, easily observable cultures, in which values like fairness are widespread and deeply inculcated and codes of conduct are clear and unambiguous. (Perhaps the most extreme example of an organization in which all these factors are at work is the United States Army.)

Without doubt, there are benefits to this paradigm: it does tend to increase demographic diversity in an organization, and it often succeeds in promoting fair treatment. But it also has significant limitations. The first of these is that its color-blind, gender-blind ideal is to some degree built on the implicit assumption that "we are all the same" or "we aspire to being all the same." Under this paradigm, it is not desirable for diversification of the workforce to influence the organization's work or culture. The company should operate as if every person were of the same race, gender, and nationality. It is unlikely that leaders who manage diversity under this paradigm will explore how people's differences generate a potential diversity of effective ways of working, leading, viewing the market, managing people, and learning.

Not only does the discrimination-and-fairness paradigm insist that everyone is the same, but, with its emphasis on equal treatment, it puts pressure on employees to make sure that important differences among them do not count. Genuine disagreements about work definition, therefore, are sometimes wrongly interpreted through this paradigm's fairness-unfairness lens – especially when honest disagreements are accompanied by tense debate. A female employee who insists, for example, that a company's advertising strategy is not appropriate for all ethnic segments in the marketplace might feel she is violating the code of assimilation upon which the paradigm is built. Moreover, if she were then to defend her opinion by citing, let us say, her personal knowledge of the ethnic group the company wanted to reach, she might risk being perceived as importing inappropriate attitudes into an organization that prides itself on being blind to cultural differences.

Workplace paradigms channel organizational thinking in powerful ways. By limiting the ability of employees to acknowledge openly their work-related but culturally based differences, the paradigm actually undermines the organization's capacity to learn about and improve its own strategies, processes, and practices. And it also keeps people from identifying strongly and personally with their work – a critical source of motivation and self-regulation in any business environment.



As an illustration of the paradigm's weaknesses, consider the case of Iversen Dunham, an international consulting firm that focuses on foreign and domestic economic-development policy. (Like all the examples in this article, the company is real, but its name is disguised.) Not long ago, the firm's managers asked us to help them understand why race relations had become a divisive issue precisely at a time when Iversen was receiving accolades for its diversity efforts. Indeed, other organizations had even begun to use the firm to benchmark their own diversity programs.

Iversen's diversity efforts had begun in the early 1970s, when senior managers decided to pursue greater racial and gender diversity in the firm's higher ranks. (The firm's leaders were strongly committed to the cause of social justice.) Women and people of color were hired and charted on career paths toward becoming project leaders. High performers among those who had left the firm were persuaded to return in senior roles. By 1989, about 50% of Iversen's project leaders and professionals were women, and 30% were people of color. The 13-member management committee, once exclusively white and male, included five women and four people of color. Additionally, Iversen had developed a strong contingent of foreign nationals.

It was at about this time, however, that tensions began to surface. Senior managers found it hard to believe that, after all the effort to create a fair and mutually respectful work community, some staff members could still be claiming that Iversen had racial discrimination problems. The management invited us to study the firm and deliver an outsider's assessment of its problem.

We had been inside the firm for only a short time when it became clear that Iversen's leaders viewed the dynamics of diversity through the lens of the discrimination-and-fairness paradigm. But where they saw racial discord, we discerned clashing approaches to the actual work of consulting. Why? Our research showed that tensions were strongest among midlevel project leaders. Surveys and interviews indicated that white project leaders welcomed demographic diversity as a general sign of progress but that they also thought the new employees were somehow changing the company, pulling it away from its original culture and its mission. Common criticisms were that African American and Hispanic staff made problems too complex by linking issues the organization had traditionally regarded as unrelated and that they brought on projects that seemed to require greater cultural sensitivity. White male project leaders also complained that their peers who were women and people of color were undermining one of Iversen's traditional strengths: its hard-core quantitative orientation. For instance, minority project leaders had suggested that Iversen consultants collect information and seek input from others in the client company besides senior managers – that is, from the rank and file and from middle managers. Some had urged Iversen to expand its consulting approach to include the gathering and analysis of qualitative data through interviewing and observation. Indeed, these project leaders had even challenged one of Iversen's long-standing, core assumptions: that the firm's reports were objective. They urged Iversen Dunham to recognize and address the subjective aspect of its analyses; the firm could, for example, include in its reports to clients dissenting Iversen views, if any existed.

For their part, project leaders who were women and people of color felt that they were not accorded the same level of authority to carry out that work as their white male peers. Moreover, they sensed that those peers were skeptical of their opinions, and they resented that doubts were not voiced openly.

Meanwhile, there also was some concern expressed about tension between white managers and nonwhite subordinates, who claimed they were being treated unfairly. But our analysis suggested that the manager-subordinate conflicts were not numerous enough to warrant the attention they were drawing from top management. We believed it was significant that senior managers found it easier to focus on this second type of conflict than on midlevel conflicts about project choice and project definition. Indeed, Iversen Dunham's focus seemed to be a result of the firm's reliance on its particular diversity paradigm and the emphasis on fairness and equality. It was relatively easy to diagnose problems in light of those concepts and to devise a solution: just get managers to treat their subordinates more fairly.

In contrast, it was difficult to diagnose peer-to-peer tensions in the framework of this model. Such conflicts were about the very nature of Iversen's work, not simply unfair treatment. Yes, they were related to identity-group affiliations, but they were not symptomatic of classic racism. It was Iversen's paradigm that led managers to interpret them as such. Remember, we were asked to assess what was supposed to be a racial discrimination problem. Iversen's discrimination-and-fairness paradigm had created a kind of cognitive blind spot; and, as a result, the company's leadership could not frame the problem accurately or solve it effectively. Instead, the company needed a cultural shift – it needed to grasp what to do with its diversity once it had achieved the numbers. If all Iversen Dunham employees were to contribute to the fullest extent, the company would need a paradigm that would encourage open and explicit discussion of what identity-group differences really mean and how they can be used as sources of individual and organizational effectiveness.

Today, mainly because of senior managers' resistance to such a cultural transformation, Iversen continues to struggle with the tensions arising from the diversity of its workforce.

The Access-and-Legitimacy Paradigm

In the competitive climate of the 1980s and 1990s, a new rhetoric and rationale for managing diversity emerged. If the discrimination-and-fairness paradigm can be said to have idealized assimilation and color- and gender-blind conformism, the access-and-legitimacy paradigm was predicated on the acceptance and celebration of differences. The underlying motivation of the access-and-legitimacy paradigm can be expressed this way:

> We are living in an increasingly multicultural country, and new ethnic groups are quickly gaining consumer power. Our company needs a demographically more diverse workforce to help us gain access to these differentiated segments. We need employees with multilingual skills in order to understand and serve our customers better and to gain legitimacy with them. Diversity isn't just fair; it makes business sense.

Where this paradigm has taken hold, organizations have pushed for access to – and legitimacy with – a more diverse clientele by matching the demographics of the organization to those of critical consumer or constituent groups. In some cases, the effort has led to substantial increases in organizational diversity. In investment banks, for example, municipal finance departments have long led corporate finance departments in pursuing demographic diversity because of the typical makeup of the administration of city halls and county boards. Many consumer-products companies that have used market segmentation based on gender, racial, and other demographic differences have also frequently created dedicated marketing positions for each segment. The paradigm has therefore led to new professional and managerial opportunities for women and people of color.

What are the common characteristics of organizations that have successfully used the access-and-legitimacy paradigm to increase their demographic diversity? There is but one: such companies almost always operate in a business environment in which there is increased diversity among customers, clients, or the labor pool – and therefore a clear opportunity or an imminent threat to the company.

Again, the paradigm has its strengths. Its market-based motivation and the potential for competitive advantage that it suggests are often qualities an entire company can understand and therefore support. But the paradigm is perhaps more notable for its limitations. In their pursuit of niche markets, access-and-legitimacy organizations tend to emphasize the role of cultural differences in a company without really analyzing those differences to see how they actually affect the work that is done. Whereas discrimination-and-fairness leaders are too quick to subvert differences in the interest of preserving harmony, access-and-legitimacy leaders are too quick to push staff with niche capabilities into differentiated pigeonholes without trying to understand what those capabilities really are and how they could be integrated into the company's mainstream work. To illustrate our point, we present the case of Access Capital.

Access Capital International is a U.S. investment bank that in the early 1980s launched an aggressive plan to expand into Europe. Initially, however, Access encountered serious problems opening offices in international markets; the people from the United States who were installed abroad lacked credibility, were ignorant of local cultural norms and market conditions, and simply couldn't seem to connect with native clients. Access responded by hiring Europeans who had attended North American business schools and by assigning them in teams to the foreign offices. This strategy was a marked success. Before long, the leaders of Access could take enormous pride in the fact that their European operations were highly profitable and staffed by a truly international corps of professionals. They took to calling the company "the best investment bank in the world."

Several years passed. Access's foreign offices continued to thrive, but some leaders were beginning to sense that the company was not fully benefiting from its diversity efforts. Indeed, some even suspected that the bank had made itself vulnerable because of how it had chosen to manage diversity. A senior executive from the United States explains:

> If the French team all resigned tomorrow, what would we do? I'm not sure what we *could* do! We've never attempted to learn what these differences and cultural competencies really are, how they change the process of doing business. What is the German country team actually doing? We don't know. We know they're good, but we don't know the subtleties of how they do what they do. We assumed – and I think correctly – that culture makes a difference, but that's about as far as we went. We hired Europeans with American M.B.A.'s because we didn't know why we couldn't do business in Europe – we just assumed there was something cultural about why we couldn't connect. And ten years later, we still don't know what it is. If we knew, then perhaps we could take it and teach it. Which part of the investment banking process is universal and which part of it draws upon particular cultural competencies? What are the commonalities and differences? I may not be German, but maybe I could do better at understanding what it means to be an American doing business in Germany. Our company's biggest failing is that the department heads in London and the directors of the various country teams have never talked about these cultural identity issues openly. We knew enough to *use* people's cultural strengths, as it were, but we never seemed to learn from them.

Access's story makes an important point about the main limitation of the access-and-legitimacy paradigm: under its influence, the motivation for diversity usually emerges from very immediate and often crisis-oriented needs for access and legitimacy – in this case, the need to broker deals in European markets. However, once the organization appears to be achieving its goal, the leaders seldom go on to identify and analyze the culturally based skills, beliefs, and practices that worked so well. Nor do they consider how the organization can incorporate and learn from those skills, beliefs, or practices in order to capitalize on diversity in the long run.

Under the access-and-legitimacy paradigm, it was as if the bank's country teams had become little spin-off companies in their own right, doing their own exotic, slightly mysterious cultural-diversity thing in a niche market of their own, using competencies that for some reason could not become more fully integrated into the larger organization's understanding of itself. Difference was valued within Access Capital – hence the development of country teams in the first place – but not valued enough that the organization would try to integrate it into the very core of its culture and into its business practices.

When a business regards employees' experience as useful only to gain access to narrow markets, those employees may feel exploited.

Finally, the access-and-legitimacy paradigm can leave some employees feeling exploited. Many organizations using this paradigm have diversified only in those areas in which they interact with particular niche-market segments. In time, many individuals recruited for this function have come to feel devalued and used as they begin to sense that opportunities in other parts of the organization are closed to them. Often the larger organization regards the experience of these employees as more limited or specialized, even though many of them in fact started their careers in the mainstream market before moving to special markets where their cultural backgrounds were a recognized asset. Also, many of these people say that when companies have needed to downsize or narrow their marketing focus, it is the special departments that are often the first to go. That situation creates tenuous and ultimately untenable career paths for employees in the special departments.

The Emerging Paradigm: Connecting Diversity to Work Perspectives

Recently, in the course of our research, we have encountered a small number of organizations that, having relied initially on one of the above paradigms to guide their diversity efforts, have come to believe that they are not making the most of their own pluralism. These organizations, like Access Capital, recognize that employees frequently make decisions and choices at work that draw upon their cultural background – choices made because of their identity-group affiliations. The companies have also developed an outlook on diversity that enables them to *incorporate* employees' perspectives into the main work of the organization and to enhance work by rethinking primary tasks and redefining markets, products, strategies, missions, business practices, and even cultures. Such companies are using the learning-and-effectiveness paradigm for managing diversity and, by doing so, are tapping diversity's true benefits.

A case in point is Dewey & Levin, a small public-interest law firm located in a northeastern U.S. city. Although Dewey & Levin had long been a profitable practice, by the mid-1980s its all-white legal staff had become concerned that the women they represented in employment-related disputes were exclusively white. The firm's attorneys viewed that fact as a deficiency in light of their mandate to advocate on behalf of all women. Using the thinking behind the access-and-legitimacy paradigm, they also saw it as bad for business.

Shortly thereafter, the firm hired a Hispanic female attorney. The partners' hope, simply put, was that she would bring in clients from her own community and also demonstrate the firm's commitment to representing all women. But something even bigger than that happened. The new attorney introduced ideas to Dewey & Levin about what kinds of cases it should take on. Senior managers were open to those ideas and pursued them with great success. More women of color were hired, and they, too, brought fresh perspectives. The firm now pursues cases that its previously all-white legal staff would not have thought relevant or appropriate because the link between the firm's mission and the employment issues involved in the cases would not have been obvious to them. For example, the firm has pursued precedent-setting litigation that challenges English-only policies – an area that it once would have ignored because such policies did not fall under the purview of traditional affirmative-action work. Yet it now sees a link between English-only policies and employment issues for a large group of women – primarily recent immigrants – whom it had previously failed to serve adequately. As one of the white principals explains, the demographic composition of Dewey & Levin "has affected the work in terms of expanding notions of what are [relevant] issues and taking on issues and framing them in creative ways that would have never been done [with an all-white staff]. It's really

The Research

This article is based on a three-part research effort that began in 1990. Our subject was diversity; but, more specifically, we sought to understand three management challenges under that heading. First, how do organizations successfully achieve and sustain racial and gender diversity in their executive and middle-management ranks? Second, what is the impact of diversity on an organization's practices, processes, and performance? And, finally, how do leaders influence whether diversity becomes an enhancing or detracting element in the organization?

Over the following six years, we worked particularly closely with three organizations that had attained a high degree of demographic diversity: a small urban law firm, a community bank, and a 200-person consulting firm. In addition, we studied nine other companies in varying stages of diversifying their workforces. The group included two financial-services firms, three *Fortune* 500 manufacturing companies, two midsize high-technology companies, a private foundation, and a university medical center. In each case, we based our analysis on interviews, surveys, archival data, and observation. It is from this work that the third paradigm for managing diversity emerged and with it our belief that old and limiting assumptions about the meaning of diversity must be abandoned before its true potential can be realized as a powerful way to increase organizational effectiveness.

changed the substance – and in that sense enhanced the quality – of our work."

Dewey & Levin's increased business success has reinforced its commitment to diversity. In addition, people of color at the firm uniformly report feeling respected, not simply "brought along as window dressing." Many of the new attorneys say their perspectives are heard with a kind of openness and interest they have never experienced before in a work setting. Not surprisingly, the firm has had little difficulty attracting and retaining a competent and diverse professional staff.

If the discrimination-and-fairness paradigm is organized around the theme of assimilation – in which the aim is to achieve a demographically representative workforce whose members treat one another exactly the same – then the access-and-legitimacy paradigm can be regarded as coalescing around an almost opposite concept: differentiation, in which the objective is to place different people where their demographic characteristics match those of important constituents and markets.

The emerging paradigm, in contrast to both, organizes itself around the overarching theme of integration. Assimilation goes too far in pursuing sameness. Differentiation, as we have shown, overshoots in the other direction. The new model for managing diversity transcends both. Like the fairness paradigm, it promotes equal opportunity for all individuals. And like the access paradigm, it acknowledges cultural differences among people and recognizes the value in those differences. Yet this new model for managing diversity lets the organization internalize differences among employees so that it learns and grows because of them. Indeed, with the model fully in place, members of the organization can say, We are all on the same team, *with* our differences – not *despite* them.

Eight Preconditions for Making the Paradigm Shift

Dewey & Levin may be atypical in its eagerness to open itself up to change and engage in a long-term transformation process. We remain convinced, however, that unless organizations that are currently in the grip of the other two paradigms can revise their view of diversity so as to avoid cognitive blind spots, opportunities will be missed, tensions will most likely be misdiagnosed, and companies will continue to find the potential benefits of diversity elusive.

Hence the question arises: What is it about the law firm of Dewey & Levin and other emerging third-paradigm companies that enables them to make the most of their diversity? Our research suggests that there are eight preconditions that help to position organizations to use identity-group differences in the service of organizational learning, growth, and renewal.

1. The leadership must understand that a diverse workforce will embody different perspectives and approaches to work, and must truly value variety of opinion and insight. We know of a financial services company that once assumed that the only successful sales model was one that utilized aggressive, rapid-fire cold calls. (Indeed, its incentive system rewarded salespeople in large part for the number of calls made.) An internal review of the company's diversity initiatives, however, showed that the company's first- and third-most-profitable employees were women who were most likely to use a sales technique based on the slow but sure building of relationships. The company's top management has now made the link between different identity groups and different approaches to how work gets done and has come to see that there is more than one right way to get positive results.

2. The leadership must recognize both the learning opportunities and the challenges that the expression of different perspectives presents for an organization. In other words, the second precondition is a leadership that is committed to persevering during the long process of learning and relearning that the new paradigm requires.

3. The organizational culture must create an expectation of high standards of performance from everyone. Such a culture isn't one that expects less from some employees than from others. Some organizations expect women and people of color to underperform – a negative assumption that too often becomes a self-fulfilling prophecy. To move to the third paradigm, a company must believe that all its members can and should contribute fully.

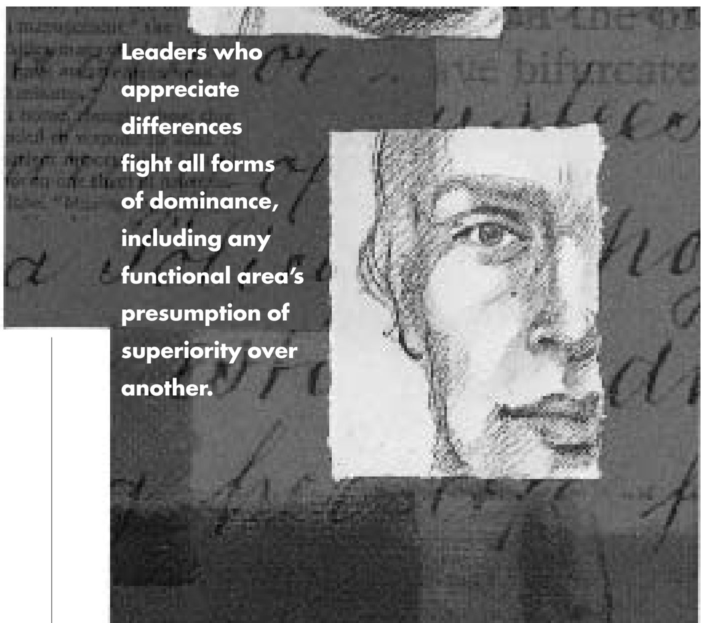
4. The organizational culture must stimulate personal development. Such a culture brings out people's full range of useful knowledge and skills – usually through the careful design of jobs that allow people to grow and develop but also through training and education programs.

5. The organizational culture must encourage openness. Such a culture instills a high tolerance for debate and supports constructive conflict on work-related matters.

6. The culture must make workers feel valued. If this precondition is met, workers feel committed to – and empowered within – the organization and therefore feel comfortable taking the initiative to apply their skills and experiences in new ways to enhance their job performance.

7. The organization must have a well-articulated and widely understood mission. Such a mission enables people to be clear about what the company is trying to accomplish. It grounds and guides discussions about work-related changes that staff members might suggest. Being clear about the company's mission helps keep discussions about work differences from degenerating into debates about the validity of people's perspectives. A clear mission provides a focal point that keeps the discussion centered on accomplishment of goals.

8. The organization must have a relatively egalitarian, nonbureaucratic structure. It's important to have a structure that promotes the exchange of ideas and welcomes constructive challenges to the usual way of doing things–from any employee with valuable experience. Forward-thinking leaders in bureaucratic organizations must retain the organization's efficiency-promoting control systems and chains of command while finding ways to reshape the change-resisting mind-set of the classic bureaucratic model. They need to separate the enabling elements of bureaucracy (the ability to get things done) from the disabling elements of bureaucracy (those that create resistance to experimentation).



First Interstate Bank: A Paradigm Shift in Progress

All eight preconditions do not have to be in place in order to begin a shift from the first or second diversity orientations toward the learning-and-effectiveness paradigm. But most should be. First Interstate Bank, a midsize bank operating in a midwestern city, illustrates this point.

First Interstate, admittedly, is not a typical bank. Its client base is a minority community, and its mission is expressly to serve that base through "the development of a highly talented workforce." The bank is unique in other ways: its leadership welcomes constructive criticism; its structure is relatively egalitarian and nonbureaucratic; and its culture is open-minded. Nevertheless, First Interstate had long enforced a policy that loan officers had to hold college degrees. Those without were hired only for support-staff jobs and were never promoted beyond or outside support functions.

Two years ago, however, the support staff began to challenge the policy. Many of them had been with First Interstate for many years and, with the company's active support, had improved their skills through training. Others had expanded their skills on the job, again with the bank's encouragement, learning to run credit checks, prepare presentations for clients, and even calculate the algorithms necessary for many loan decisions. As a result, some people on the support staff were doing many of the same tasks as loan officers. Why, then, they wondered, couldn't they receive commensurate rewards in title and compensation?

This questioning led to a series of contentious meetings between the support staff and the bank's senior managers. It soon became clear that the problem called for managing diversity – diversity based not on race or gender but on class. The support personnel were uniformly from lower socioeconomic communities than were the college-educated loan officers. Regardless, the principle was the same as for race- or gender-based diversity problems. The support staff had different ideas about how the work of the bank should be done. They argued that those among them with the requisite skills should be allowed to rise through the ranks to professional positions, and they believed their ideas were not being heard or accepted.

Their beliefs challenged assumptions that the company's leadership had long held about which employees should have the authority to deal with customers and about how much responsibility administrative employees should ultimately receive. In order to take up this challenge, the bank would have to be open to exploring the requirements that a new perspective would impose on it. It would need to consider the possibility of mapping out an educational and career path for people without degrees – a path that could put such workers on the road to becoming loan officers. In other words, the leadership would have to transform itself willingly and embrace fluidity in policies that in times past had been clearly stated and unquestioningly held.

Today the bank's leadership is undergoing just such a transformation. The going, however, is far from easy. The bank's senior managers now must look beyond the tensions and acrimony sparked by the debate over differing work perspectives and consider the bank's new direction an important learning and growth opportunity.

Shift Complete: Third-Paradigm Companies in Action

First Interstate is a shift in progress; but, in addition to Dewey & Levin, there are several organizations we know of for which the shift is complete. In these cases, company leaders have played a critical role as facilitators and tone setters. We have observed in particular that in organizations that have adopted the new perspective, leaders and managers – and, following in their tracks, employees in general – are taking four kinds of action.

They are making the mental connection. First, in organizations that have adopted the new perspective, the leaders are actively seeking opportunities to explore how identity-group differences affect relationships among workers and affect the way work gets done. They are investing considerable time and energy in understanding how identity-group memberships take on social meanings in the organization and how those meanings manifest themselves in the way work is defined, assigned, and accomplished. When there is no proactive search to understand, then learning from diversity, if it happens at all, can occur only reactively – that is, in response to diversity-related crises.

The situation at Iversen Dunham illustrates the missed opportunities resulting from that scenario. Rather than seeing differences in the way project leaders defined and approached their work as an opportunity to gain new insights and develop new approaches to achieving its mission, the firm remained entrenched in its traditional ways, able to arbitrate such differences only by thinking about what was fair and what was racist. With this quite limited view of the role race can play in an organization, discussions about the topic become fraught with fear and defensiveness, and everyone misses out on insights about how race might influence work in positive ways.

A second case, however, illustrates how some leaders using the new paradigm have been able to envision – and make – the connection between cultural diversity and the company's work. A vice president of Mastiff, a large national insurance company, received a complaint from one of the managers in her unit, an African American man. The manager wanted to demote an African American woman he had hired for a leadership position from another Mastiff division just three months before. He told the vice president he was profoundly disappointed with the performance of his new hire.

"I hired her because I was pretty certain she had tremendous leadership skill," he said. "I knew she had a management style that was very open and empowering. I was also sure she'd have a great impact on the rest of the management team. But she hasn't done any of that."

Surprised, the vice president tried to find out from him what he thought the problem was, but she was not getting any answers that she felt really defined or illuminated the root of the problem. Privately, it puzzled her that someone would decide to demote a 15-year veteran of the company – and a minority woman at that – so soon after bringing her to his unit.

The vice president probed further. In the course of the conversation, the manager happened to mention that he knew the new employee from church and was familiar with the way she handled leadership there and in other community settings. In those less formal situations, he had seen her perform as an extremely effective, sensitive, and influential leader.

That is when the vice president made an interpretive leap. "If that's what you know about her," the vice president said to the manager, "then the question for us is, why can't she bring those skills to work here?" The vice president decided to arrange a meeting with all three present to ask this very question directly. In the meeting, the African American woman explained, "I didn't think I would last long if I acted that way here. My personal style of leadership – that particular style – works well if you have the permission to do it fully; then you can just do it and not have to look over your shoulder."

Pointing to the manager who had planned to fire her, she added, "He's right. The style of leadership I use outside this company can definitely be effective. But I've been at Mastiff for 15 years. I know this organization, and I know if I brought that piece of myself – if I became that authentic – I just wouldn't survive here."

What this example illustrates is that the vice president's learning-and-effectiveness paradigm led her to explore and then make the link between cultural diversity and work style. What was occurring, she realized, was a mismatch between the cultural background of the recently promoted woman and the cultural environment of her work setting. It had little to do with private attitudes or feelings, or gender issues, or some inherent lack of leadership ability. The source of the underperformance was that the newly promoted woman had a certain style and the organization's culture did not support her in expressing it comfortably. The vice president's paradigm led her to ask new questions and to seek out new information, but, more important, it also led her to interpret existing information differently.

The two senior managers began to realize that part of the African American woman's inability to see herself as a leader at work was that she had for so long been undervalued in the organization. And, in a sense, she had become used to splitting herself off from who she was in her own community. In the 15 years she had been at Mastiff, she had done her job well as an individual contributor, but she had never received any signals that her bosses wanted her to draw on her cultural competencies in order to lead effectively.

They are legitimating open discussion. Leaders and managers who have adopted the new paradigm are taking the initiative to "green light" open discussion about how identity-group memberships inform and influence an employee's experience and the organization's behavior. They are encouraging people to make *explicit* use of background cultural experience and the pools of knowledge gained outside the organization to inform and enhance their work. Individuals often do use their cultural competencies at work, but in a closeted, almost embarrassed, way. The unfortunate result is that the opportunity for collective and organizational learning and improvement is lost.

The case of a Chinese woman who worked as a chemist at Torinno Food Company illustrates this point. Linda was part of a product development group at Torinno when a problem arose with the flavoring of a new soup. After the group had made a number of scientific attempts to correct the problem, Linda came up with the solution by "setting aside my chemistry and drawing on my understanding of Chinese cooking." She did not, however, share with her colleagues – all of them white males – the real source of her inspiration for the solution for fear that it would set her apart or that they might consider her unprofessional. Overlaid on the cultural issue, of course, was a gender issue (women cooking) as well as a work-family issue (women doing *home* cooking in a chemistry lab). All of these themes had erected unspoken boundaries that Linda knew could be career-damaging for her to cross. After solving the problem, she simply went back to the so-called scientific way of doing things.

Senior managers at Torinno Foods in fact had made a substantial commitment to diversifying the workforce through a program designed to teach employees to value the contributions of all its members. Yet Linda's perceptions indicate that, in the actual day-to-day context of work, the program had failed – and in precisely one of those areas where it would have been important for it to have worked. It had failed to affirm someone's identity-group experiences as a legitimate source of insight into her work. It is likely that this organization will miss future opportunities to take full advantage of the talent of employees such as Linda. When people believe that they must suggest and apply their ideas covertly, the organization also misses opportunities to discuss, debate, refine, and build on those ideas fully. In addition, because individuals like Linda will continue to think that they must hide parts of themselves in order to fit in, they will find it difficult to engage fully not only in their work but also in their workplace relationships. That kind of situation can breed resentment and misunderstanding, fueling tensions that can further obstruct productive work relationships.

They actively work against forms of dominance and subordination that inhibit full contribution. Companies in which the third paradigm is emerging have leaders and managers who take responsibility for removing the barriers that block employees from using the full range of their competencies, cultural or otherwise. Racism, homophobia, sexism, and sexual harassment are the most obvious forms of dominance that decrease individual and organizational effectiveness – and third-paradigm leaders have zero tolerance for them. In addition, the leaders are aware that organizations can create their own unique patterns of dominance and subordination based on the presumed superiority and entitlement of some groups over others. It is not uncommon, for instance, to find organizations in which one functional area considers itself better than another. Members of the presumed inferior group frequently describe the organization in the very terms used by those who experience identity-group discrimination. Regardless of the source of the oppression, the result is diminished performance and commitment from employees.

What can leaders do to prevent those kinds of behaviors beyond explicitly forbidding any forms of dominance? They can and should test their own assumptions about the competencies of all members of the workforce because negative assumptions are often unconsciously communicated in powerful – albeit nonverbal – ways. For example, senior managers at Delta Manufacturing had for years allowed productivity and quality at their inner city plants to lag well behind the levels of other plants. When the company's chief executive officer began to question why the problem was never addressed, he came to realize that, in his heart, he had believed that inner-city workers, most of whom were African American or Hispanic, were not capable of doing better than subpar. In the end, the CEO and his senior management team were able to reverse their reasoning and take responsibility for improving the situation. The result was a sharp increase in the performance of the inner-city plants and a message to the entire organization about the capabilities of its entire workforce.

At Mastiff, the insurance company discussed earlier, the vice president and her manager decided to work with the recently promoted African American woman rather than demote her. They realized that their unit was really a pocket inside the larger organization: they did not have to wait for the rest of the organization to make a paradigm shift in order for their particular unit to change. So they met again to think about how to create conditions within their unit that would move the woman toward seeing her leadership position as encompassing all her skills. They assured her that her authentic style of leadership was precisely what they wanted her to bring to the job. They wanted her to be able to use whatever aspects of herself she thought would make her more effective in her work because the whole purpose was to do the job effectively, not to fit some preset traditional formula of how to behave. They let her know that, as a management team, they would try to adjust and change and support her. And they would deal with whatever consequences resulted from her exercising her decision rights in new ways.

Another example of this line of action – working against forms of dominance and subordination to enable full contribution – is the way the CEO of a major chemical company modified the attendance rules for his company's annual strategy conference. In the past, the conference had been attended only by senior executives, a relatively homogeneous group of white men. The company had been working hard on increasing the representation of women and people of color in its ranks, and the CEO could have left it at that. But he reckoned that, unless steps were taken, it would be ten years before the conferences tapped into the insights and perspectives of his newly diverse workforce. So he took the bold step of opening the conference to people from across all levels of the hierarchy, bringing together a diagonal slice of the organization. He also asked the conference organizers to come up with specific interventions, such as small group meetings before the larger session, to ensure that the new attendees would be comfortable enough to enter discussions. The result was that strategy-conference participants heard a much broader, richer, and livelier discussion about future scenarios for the company.

They are making sure that organizational trust stays intact. Few things are faster at killing a shift to a new way of thinking about diversity than feelings of broken trust. Therefore, managers of organizations that are successfully shifting to the learning-and-effectiveness paradigm take one more step: they make sure their organizations remain "safe" places for employees to be themselves. These managers recognize that tensions naturally arise as an organization begins to make room for diversity, starts to experiment with process and product ideas, and learns to reappraise its mission in light of suggestions from newly empowered constituents in the company. But as people put more of themselves out and open up about new feelings and ideas, the dynamics of the learning-and-effectiveness paradigm can produce temporary vulnerabilities. Managers who have helped their organizations make the change successfully have consistently demonstrated their commitment to the process and to all employees by setting a tone of honest discourse, by acknowledging tensions, and by resolving them sensitively and swiftly.

Our research over the past six years indicates that one cardinal limitation is at the root of companies' inability to attain the expected performance benefits of higher levels of diversity: the leadership's vision of the purpose of a diversified workforce. We have described the two most dominant orientations toward diversity and some of their consequences and limitations, together with a new framework for understanding and managing diversity. The learning-and-effectiveness paradigm we have outlined here is, undoubtedly, still in an emergent phase in those few organizations that embody it. We expect that as more organizations take on the challenge of truly engaging their diversity, new and unforeseen dilemmas will arise. Thus, perhaps more than anything else, a shift toward this paradigm requires a high-level commitment to learning more about the environment, structure, and tasks of one's organization, and giving improvement-generating change greater priority than the security of what is familiar. This is not an easy challenge, but we remain convinced that unless organizations take this step, any diversity initiative will fall short of fulfilling its rich promise.

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ARTICLE

"Black Managers: The Dream Deferred" by Edward W. Jones, Jr. (*Harvard Business Review*, May–June 1986, Product no. 86307)
Jones agrees with Thomas and Ely that companies must adopt a new approach to diversity if they hope to reap the benefits of employees' varied backgrounds and experiences. In this article, he focuses his thoughts on the plight of minority managers.

He acknowledges that equal-opportunity laws have brought many blacks into corporate managerial ranks. Yet despite the numbers, many African American managers feel they haven't gained acceptance on a par with their white peers. Why? They're often promoted less frequently than white managers; they're frequently channeled into low-visibility functions, such as community or personnel relations; and they feel pressured to conform to corporate values defined by whites. Results? Disappointment, dismay, frustration, and anger.

Drawing on three years of research and more than 200 interviews with professionals in a wide range of fields, Jones disproves the myth that companies are color-blind. Commitment to equal opportunity, he maintains, must come from the top first—then get reinforced throughout the corporate hierarchy.

By accepting how deeply rooted our feelings about race and color are, then removing the taboo on candor about racial realities, executives can begin shaping a corporate culture in which competence and character—not skin color—become the criteria for leadership.

BOOK

***Breaking Through: The Making of Minority Executives in Corporate America* by David A. Thomas and John J. Gabarro (1999, Harvard Business School Press, Product no. 8664)**
Thomas and Gabarro examine the integration paradigm specifically in the context of minority executives' experience. In *Breaking Through*, they explore the crucial connections among corporate culture, career development, and the advancement of people of color.

The book profiles minority executives at three different firms who encountered—and conquered—barriers throughout their careers. It then contrasts their successes at the same companies with the experiences of white executives who reached upper management, and with white and minority middle managers who had to come to grips with stalled careers.

From these stories, it becomes clear that minorities and whites advance in their careers in very different ways. Minorities *do* have pathways to success available to them, and they *can* break through racially based obstacles—but only if individuals and organizations each understand the roles they play in *creating* those opportunities.