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Diversity Management in Australia and its Impact on Employee Engagement

Abstract
Diversity, defined as differences relating to gender, ethnicity, age, religion, sexual orientation, physical ability or any other source of difference can have a major impact on employee engagement. In this article, the authors examine the results of a recent survey and uncover how diversity is managed in Australia.

Keywords
engagement, australia, its, impact, diversity, employee, management

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Summary: Diversity, defined as differences relating to gender, ethnicity, age, religion, sexual orientation, physical ability or any other source of difference can have a major impact on employee engagement. In this article, the authors examine the results of a recent survey and uncover how diversity is managed in Australia.

Research Study: Diversity Management in Australia and its Impact on Employee Engagement

By Pat Skalsky, Shirlaws Pty. Ltd and Grace McCarthy, Ph.D., University of Wollongong

Diversity can be defined as differences relating to gender, ethnicity, age, religion, sexual orientation, physical ability or any other source of difference. With globalization and rising migration, as well as increasing competition to hire, retain and motivate the best employees, companies around the world have to manage diverse workforces. Australia is one of the most culturally diverse in the world, according to a 2009 study by L. Leveson in the *International Journal of Manpower*. The study explored current attitudes to diversity management in 15 Australian companies.

It's important for total rewards professionals to know that previous research by R. Allen and C.W. Von Bergen has identified multiple benefits to managing diversity, including attracting and retaining good staff, improved problem-solving and creativity and improved overall performance. In addition, D. Pollitt reported on a survey of 3 million employees which found that creating an inclusive environment was a key driver in employee engagement and commitment. Leveson found that employees who perceived their managers as committed to diversity, also perceived the organization positively and were more committed to their organizations.

The Importance of Management in Diversity and Engagement

Recognizing the importance of employee engagement, in 2004, the Corporate Leadership Council studied more than 50,000 employees in 27 countries in order to gain an understanding of the main factors influencing employee engagement. The results showed that the manager is the key conduit to employee engagement. Furthermore, the key potential driver of employee engagement was the "manager's commitment to diversity." A later survey by the American Society of Public Administration in 2006 discovered a clear correlation between diversity satisfaction and overall job satisfaction/engagement. Last year (AU: This comes out in January 2010, so it will be last year by then) the Diversity Council of Australia (DCA) reported that employers who were leaders in managing work-life balance for their staff, experienced tangible benefits including reduced turnover (average 15%); reduced absenteeism (average 16%), and increased employee satisfaction (average 14%).

Despite these promising findings, a report by the Committee for Economic Development in Australia claims that "top managers *do not* have a clear understanding of the importance of diversity management or the benefits that it brings to the individual employees and employee engagement as a whole."

Furthermore the committee argues that Australian business is not "capturing the diversity dividend." In other words, this refers to the additional benefits resulting from effective diversity management, such as enhanced creativity and innovation, reduced workplace conflict, lower absenteeism and turnover and superior teamwork skills.

Perhaps the reasons lie in the challenges which can be associated with workforce diversity, including conflict, communication difficulties, and lower employee satisfaction. Therefore, leaders need to help managers achieve the possible benefits while coping with potential issues. Front-line managers not only need to understand the legislative requirements but also how to help employees optimize their performance. For example, a white male manager who has never worked outside his own culture may need help in understanding the difficulties that

could be experienced by a female manager from the Indian sub-continent in giving negative performance feedback to an older male subordinate.

The aim of this study (AU: which study? – A Research Paper completed in 2009 by Pat Skalsky as a requirement of the Masters of Business Coaching (MBC) through the University of Wollongong, New South Wales, Australia) was to explore whether Australian companies in 2009 have formalized their diversity management practices and understand how to achieve the potential benefits for their organization.

Study Results

Managers in 15 companies in Australia were surveyed about their views on diversity. Their responses are summarized in Table 1.

Table 1: Managers' Views on Diversity

Question	Response
Are you aware of a diversity statement within the organisation	Only one manager was aware of any such statement.
Do you have key performance indicators relating to diversity?	Four of the 15 organizations had a formal position on diversity. However only one of these formally measured key performance indicators.
Do you believe your staff would see you as committed to diversity?	All hoped they would be perceived as committed to diversity, but were not sure if they would.
Whose responsibility do you believe it is to manage diversity?	All managers perceived diversity team issues to be their responsibility, although they recognized the importance of escalating any issues to HR, e.g. legal or compliance issues
What mechanisms do you have in place for staff issues relating to diversity?	None of the 15 had any formal team process and treated any issue relating to diversity as they would any other issue
What is your attitude toward time off for ethnic festivals, flexible working hours, maternity and paternity leave?	Almost half the managers gave time off for ethnic festivals without deducting it from a leave entitlement on a "give and take" basis. Two of the 15 objected to this based on equitability. Most allowed some flexibility in working hours but one expressed a view that flexible working hours and working from home created difficulties and lack of trust.
What are the issues of diversity within the team?	Most common were issues relating to gender and sexual orientation, followed by cultural, racial and flexible hours.
What skills training have you received as part of your leadership development on diversity?	While no managers had received any training specifically on diversity, a third had received some related training. However two thirds had no formal training of any kind relating to diversity.

The findings of this survey indicate that 73% of respondents either didn't have a diversity statement or were unaware of one, if one existed. This suggests an informal approach to diversity management and one which may lead to inconsistent responses by different managers within the same organization. These findings are consistent with earlier research undertaken by the Australian Centre for International Business (ACIB), which revealed that "few Australian firms have established diversity management practices." Furthermore, this survey found that only one of the 15 organizations surveyed used key performance indicators to measure compliance on diversity issues. Although some Australian organizations have recognized the benefit of diversity management (e.g. AMP, Shell, NAB), it would appear many have not yet recognized the commercial benefit.

The Impact of Diversity Training

Diversity training programs teach managers behaviors that foster respect and inclusion. Diversity training is used to increase awareness of diversity and educate employees about the business case for diversity. Participants in this survey had not had any diversity training but considered training in diversity as legislation-centric. When faced with diversity issues relating to legislation, they tended to refer these to the HR department. Managers themselves responded to more subtle, non-legislative issues relating to gender, sex, ethnicity or religion. In addition, they appear to use an intuitive, individual approach to managing diversity, rather than a systematic approach. The absence of key performance indicators also suggests an informal approach to diversity.

Managers felt intuitively equipped to deal with such issues. They did, however, believe that additional skill development might be beneficial, although they were unable to define what that might entail. According to the Australian Centre for International Business, only 27 % of organizations provide diversity training. Training is useful for communicating legal and company policy. However, researchers A. Gillert and G. Chuzischvili found that a traditional classroom environment was not conducive to effective learning about diversity. In addition, Y. Lai and B. Kleiner also found effective diversity training had to be supplemented with other initiatives such as mentoring.

Diversity issues can be very personal, and challenge one's own cultural background. Religious views, tolerances and biases are often deep-rooted. Coaching is based on a one-on-one confidential partnership, creating an environment that helps build trust, empathy and creates rapport. M. Bagshaw noted that we are all susceptible to using distorting perceptual filters that lead us to make inaccurate assumptions about others. A non- judgmental coaching approach is about listening and asking questions to understand the individual, and leads to heightened self-awareness which helps managers gain an accurate picture of their performance and their impact on others. Researcher P. Schmidt claimed that all diversity training is about awareness. The benefits of training are often lost shortly after a training course finishes. However, when coaching is combined with training, sustainable behavioral change can be achieved.

Conclusion

A large proportion of organizations surveyed do not appear to be deriving the potential commercial dividend from diversity management identified in previous research; which shows us that diversity training may produce a return on investment of more than 150% on the decreased turnover costs of staff through increased retention. Should the findings of this small study be verified through a larger study, it would indicate a lost opportunity in terms of increased commercial returns.

The managers surveyed here believed that they had the skills required to address diversity issues, yet had not received any training nor did they have any key performance indicators relating to diversity. They acknowledged that their approach to diversity is largely intuitive. They were receptive to further skill development in diversity management, provided that value can be demonstrated. Therefore, we maintain that training by itself would be insufficient to develop a manager's ability to manage diversity, but that coaching combined with training would be an appropriate approach to raise awareness and create lasting behavioral change.

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