Managing Diversity from a Strategic Perspective:  
A Competing Values Approach

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ABSTRACT
Attempts at managing diversity have met with mixed, mostly weak results over the years. Organizations have invested a great deal of money, time, and emotion in trying to help their employees “value diversity” in vain hopes of positively impacting the organization’s bottom line. The present study argues that the failure to realize gains from managing diversity stem from a basic misunderstanding of the nature of diversity itself, resulting in the view that it is both inevitable and inherently good. Once freed of these assumptions, managers can begin to truly manage diversity from a strategic perspective, insuring that their diversity strategy is consistent with other aspects of their competitive strategy, culture, and structure. The Competing Values Approach (CVA) is suggested as a model that ties this new perspective to other organizational imperatives. The resulting model identifies four strategic approaches to managing diversity, Valuing, Exploiting, Reducing, and Rejecting. The model also forces management to answer the crucial question of why diversity is being introduced or increased in the organization. Different reasons reflect different goals, which should in turn lead to different managerial expectations. Realistically matching expectations to diversity strategies will go a long way in reducing the frustrations and disappointments with Managing Diversity programs in use today.

INTRODUCTION
Managing diversity is a concept that sounded good in theory, but has provided mixed results in practice. Top managers are becoming increasingly frustrated and disenchanted with managing diversity programs that have cost organizations billions of dollars over the years, but have yielded little in the way of identifiable positive impact on the bottom line (Hansen, 2003; Kochan et al., 2002; Naff and Kellough, 2003). Part of the reason for this lack of efficacy may be traced
to the dual assumptions that diversity is both inevitable and inherently good (Knouse and Stewart, 2003). The inevitability assumption stems primarily from the *Workforce 2000* (Johnston, 1987) report that predicted a tremendous demographic shift toward gender and ethnic heterogeneity in the makeup of the United States workforce by the year 2000. Managing diversity was touted as a proactive response to the coming “crisis.” Diversity management consultants were quick to point out that academic research had identified many positive aspects of a diverse workforce. In making a business case for managing diversity programs, they cited research suggesting that diverse groups outperformed homogeneous groups in areas of creativity and flexibility. There was also benefit to be found in having a workforce that reflected an increasingly diverse marketplace. If diversity could not be avoided, at least it would be good for business (Cox, 1994; Gudmundson and Hartenian, 2000; Hansen, 2003; Robinson and Dechant, 1997). The dual assumptions have resulted in a relatively homogeneous approach to diversity management that seeks to Value (accentuate, celebrate, and accommodate) differences in an effort to free the “whole person” to contribute to the organization. At the same time, traditional workers (white American men) have to be acclimated to the sometimes drastic change in organizational culture.

But what if the assumptions are not always true? What if diversity is not an undeniable force sweeping over every business, every organization? Johnston’s *Workforce 2000* (1987), as it turns out was accurate on trajectory, but a little ambitious on the speed of demographic changes in the American workforce. The number of non-traditional workers has in fact increased over the past 20 years, but white males still make up 45% of the country’s workforce (white females represent an additional 38%) and almost twice that percentage of top management (Bureau of Labor Statistics, 2005). In many geographic areas of the U.S., the population is decidedly homogeneous, a situation exacerbated by white flight from America’s urban areas. Along with these demographic shifts, Affirmative Action and other diversity-promoting programs have been under increasing attack across the country in recent years (Woellert, 2004).

As alluded to above, the inherent goodness of diversity can be questioned, as well. While the social value of diversity is not disputed here, the economic value, its contribution to the organization’s bottom line certainly can be. Most of the evidence for diversity’s economic good has been artificial (laboratory studies) or anecdotal, as most organizations have been unable or unwilling to measure the actual impact of diversity programs. The few studies that have been done in real companies on the diversity-performance relationship have found very mixed (positive, negative, and no) results (Kochan et al., 2002; Richard, 2000). While the benefits from diversity have proven hard to identify at times, the costs associated with diversity are very real and have been evident from the earliest diversity studies (Gudmundson and Hartenian, 2000; Milliken and Martin, 1996). From a purely economic perspective, diversity itself will only provide benefit if the value of unique individual differences exceeds the costs of coordinating and integrating those differences.

Field research on the diversity/performance relationship seems to suggest that the impact of diversity on organizational performance is contingent on its fit with organizational and environmental imperatives. Richard (2000) and Richard, McMillan, Chadwick, and Dwyer (2003) find, for instance, that the level of ethnic and gender diversity had a positive impact on performance for organizations with an externally focused (growth) strategy, but a negative
impact on those with an internally focused (downsizing) strategy. What other contingencies beyond strategy need to be considered? How do they interact with diversity and each other to determine organizational effectiveness? A framework is needed for diversity management that would allow a more thorough exploration of these constructs and relationships, one that also recognizes the strategic choices that must be made regarding the appropriateness and assumed cost/benefit of diversity in an organization. It should be noted that for the purpose of this discussion, the authors adopt the view of diversity as a multi-dimensional construct that takes a broad-definition approach including both surface diversity (race, gender, age, physical ability, etc.) and deeper aspects of diversity (personality, experiences, perspective, etc.). This approach is consistent with the prevailing view of current managing diversity literature and practice (Harrison et al., 2002; Naff and Kellough, 2003).

The inevitability and inherent goodness of diversity formed the basis for most diversity management programs for the past two decades. If, as we suggest, these assumptions are not universally valid, what does that mean for management’s approach to managing diversity and to the concept of diversity management, itself? Indeed, why do organizations choose diversity? What does diversity bring to an organization that outweighs its inherent costs? In this paper, we suggest that the answers to these crucial questions may be different for different organizations. Further, the different reasons for introducing diversity into an organization lead to different managerial expectations and suggest, not one generic strategy for managing diversity, but several. These strategies must be consistent with other aspects of the organization’s overall strategy. The Competing Values Approach (CVA) is adopted as a framework upon which our model for the strategic management of diversity is built. The CVA captures the essence of the diversity issue, individuality (flexibility) vs. uniformity (control), internal versus external focus, long term vs. short term perspective. CVA also provides a common frame of reference within which the degree of fit between the organization’s approach to diversity and its strategy, structure, and culture can be investigated. It is argued that to achieve success in dealing with diversity, all of these organizational aspects must compliment one another.

**THE COMPETING VALUES APPROACH**

The reasons for organizational diversity are determined by factors both internal and external to the organization. Environmental factors – complexity, munificence, dynamism, competitiveness, heterogeneity – determine the look of the playing field. It is left to top management to determine what strategies will be used by a particular company in playing the game. The strategy chosen will be determined to no small degree by the resources available to an organization and the systems in place to best utilize those resources. The internal characteristics of an organization, its structure and culture, will help to determine, and indeed must be consistent with, the overall competitive strategy of the organization. They must be managed strategically to insure that the different aspects work in concert towards the achievement of organizational goals and objectives. Human resources must be strategically managed, as well. The diversity strategy chosen, the determination of types and levels of diversity desirable/acceptable to the organization and how best to achieve and maintain those (types and levels), must also be consistent with other strategic considerations (Panayotopoulou, Bourantas, and Papalexandris, 2003; Richard, 2000; Richard et al, 2003).
Given the interdependent nature of the strategy, culture, and diversity aspects of an organization, it would be helpful to be able to conceptualize these constructs simply and simultaneously. This would provide top management with some guidance in determining which diversity strategies are feasible given the other aspects. The Competing Values Approach (Quinn, 1988) captures important dimensions common to strategy, structure, culture, and diversity.

**Competing Values Approach Matrix**

The Competing Values Approach distinguishes three important and conflicting dimensions of organizations. One dimension reflects the differing collective preferences, or organizational orientation toward control. In Quinn’s (1988) model, the vertical axis represents the continuum between desire for flexibility at one end and desire for control at the other. The second dimension (horizontal axis) is organizational focus, whether a company has an external, market-oriented focus or internal, company-oriented focus. The final dimension involves the organization’s long- versus short-term view of time. This dimension is also interpreted as preference for ends (ultimate goals) versus means (process) (Reagan & Rohrbaugh, 1990). All three of these dimensions are present in every organization. The combination of the first two dimensions (control and focus) results in the creation of four generic quadrants: 1) flexible, externally oriented, 2) controlled, externally oriented, 3) controlled, internally oriented, and 4) flexible, internally oriented. The means-ends dimension is reflected in each quadrant, since each is concerned with both process and outcome effectiveness (Reagan and Rohrbaugh, 1990).

Because of the universality of the control-flexibility and internal-external dimensions, the resultant four-quadrant model is used to investigate a wide variety of questions. Reagan and Rohrbaugh (1990) utilize the CVA approach to develop a multi-criteria instrument to evaluate the effectiveness of group decision making processes. Each of the four quadrants represents a unique model, or set of criteria for organizational analysis (open system, rational goal, internal process, and human relations). The oft-cited Hooijberg and Petrock (1993) used CVA to explore organizational culture, identifying four unique value sets (Adhocracy, Market, Hierarchy, and Clan) and developing instruments to map an organization’s position within the matrix. More recently, the competing values framework was used to identify and investigate various strategic human resource management approaches and their relationship to firm performance (Panayotopoulou, Bourantas, and Papalexandris, 2003).

**Competing Values Approach for Determining Diversity Strategy**

In conceptualizing the diversity issue, the control-flexibility dimension would seem a natural fit. If individuality is substituted for flexibility and conformity for control, the dimension seems to capture the crux of the diversity question. Most discussions in the literature of strategies for managing diversity would fit quite comfortably in the single dimension, two-quadrant model that begs the question, “Diversity, or not diversity?” In fact, given the assumptions discussed earlier – that diversity is inevitable and inherently good – a rational manager is left with but one strategic choice. This might explain the homogeneity of prescriptions traditionally offered to businesses by consultants and academics (Naff and Kellough, 2003).
The competing values framework’s two additional dimensions, internal-external focus and endsmens (time), offer important conceptual contributions to the modeling of the strategic management of diversity. In Hooijberg and Petrock’s (1993) CVA-driven process for cultural change, a crucial step involves assessing the expectations of the organization’s leaders or leadership team regarding what benefits they expect to gain in transforming their organization’s existing culture. In a world where diversity is inevitable and good, the internal/external focus dimension speaks to the question, “Good for what?” For an organization with an internal focus, recognizing and valuing uniqueness is good for the morale and satisfaction of the employees. Since the focus of this organization is internal, consideration of the potential competitive advantage offered by increased diversity is not an imperative. For an organization with an external focus, competitive advantage is the first consideration. Diversity, unique skills and perspectives, is good for winning in the marketplace. The introduction of the focus dimension identifies two different sets of assumption about the benefits of diversity, two different sets of goals, and two different sets of action steps needed to realize those goals. In other words, two unique strategies for managing diversity are identified. Part of the lack of efficacy in the ability of some “Managing Diversity” and “Valuing Diversity” programs to improve a company’s bottom line may be due to their decidedly internal focus (creating a comfortable, open working environment). This contrasts and often conflicts with management’s externally focused (competitive) expectations. Indeed, research suggests that it is the failure of these diversity programs to consider market conditions and resultant organizational strategies that rob these programs of their effectiveness (defined as the ability to positively impact company performance) (Richard, 2000; Richard et. al, 2003).

If diversity is assumed to be inevitable, but NOT inherently or necessarily beneficial, it is incumbent upon management to determine what diversity (type and level) is good, or at least acceptable to an organization, and what diversity is not. Diversity (or at least, its effects) deemed inappropriate must be minimized, or brought within acceptable tolerances. An organization that sees conformity as an important part of its competitive strategy must have a diversity strategy that emphasizes the promotion of conformity and reduction of individuality in those areas critical to its external market. Service franchises like McDonald’s or Disney theme parks understand that customers expect consistency in product, service (and characters) across time and distance. Additionally, companies competing on efficiency would be inclined to eliminate unnecessary diversity and its costs altogether.

The assumptive situation described to this point (diversity inevitable, but not necessarily good) suggests a three quadrant, three strategy model for responding to diversity. The upper left quadrant represents organizations that choose to embrace diversity as a means of increasing internal harmony and employee satisfaction by celebrating uniqueness (Value Diversity). Companies in the upper right quadrant embrace those aspects of diversity that lead to competitive advantage (Exploit Diversity). Companies that populate the lower right quadrant seek to reduce the impact of externally-generated diversity by either eliminating or assimilating it.

If freed from the inevitability assumption, however, these responses become choices and correspond to the reasons for choosing diversity discussed earlier. A company that values conformity would choose to increase diversity only in situation where its supply of more
traditional workers is insufficient. A company that sees diversity as a competitive tool will aggressively seek out only that diversity that enhances its competitive position. For a company concerned with worker enrichment, the choice to increase or embrace diversity is a statement of values. This company chooses to recognize and/or encourage certain types of differences consistent with the organization’s vision of what it is or what it hopes to be.

Disavowing the inevitability of increased diversity suggests a fourth quadrant and strategy for the management of diversity. If diversity is a choice, an organization with an internal focus and a preference for conformity (lower left quadrant) could choose to simply ignore or reject it. Like the “Value Diversity” organizations, the focus of these organizations is primarily their inner workings and climate. They differ in that they view conformity, not understanding as the path to peace and stability. In these organizations, any potentially divisive differences – political, religious, cultural, etc. – are either rejected outright or “checked at the door.” The avoidance of diversity to maintain organizational morale and stability is also a statement of values. Unlike those in the “Value Diversity” quadrant, these companies value the perceived needs of the group over the needs of the individual. Isolated by an internal focus and lack of external imperative, these organizations view increased diversity as an unnecessary evil and strategically choose to “Reject Diversity.” At first blush, the idea that an organization would (or could) reject diversity sounds almost ridiculous in today’s socio-political climate. However, the U.S. military’s “don’t ask, don’t tell” policies, as well as the Boy Scouts of America’s successful fight to exclude homosexual leaders, are just two of many examples of organizations doing just that. Whether or not you agree with their positions, this clearly represents a strategic choice for managing diversity. There is no room for such choices in the current paradigm of managing diversity. We suggest that this paradigm needs to be broadened; that managers need strategic alternatives to the one size fits all approach that dominates current thinking of managing diversity programs.

The resulting four-quadrant model of the strategic management of diversity (See Figure 1) identifies four strategies for managing diversity, Valuing, Exploiting, Reducing, and Rejecting. The model highlights the importance of assumptions, reasons and expectations in dealing with the diversity issue. An organization’s assumptions about diversity will define its available strategic options. The model also forces management to answer crucial questions of why diversity is being introduced or increased in the organization. Different reasons reflect different goals, which should in turn lead to different managerial expectations. Realistically matching expectations to strategies will go a long way in reducing the frustrations and disappointments with managing diversity programs in use today.

The time dimension, present in all quadrants, will affect the manner in which an organization implements its chosen diversity strategy. An organization with a short term or “ends” focus may, in choosing an Exploit strategy, see outsourcing as a legitimate approach to meeting an immediate competitive requirement. Corporations that utilize minority marketing firms to reach corresponding minority markets are an example of this type of outsourcing. An Exploiting strategy with a long-term or process focus, might lead to the actual acquisition or development of diverse human resources as a hedge against possible or recognized future needs.

The time dimension is particularly crucial to the Value strategy. Developing an appreciation for diversity where it does not already exist, attempting to convince employees of its ‘rightness’ is a
very long undertaking. Companies utilizing this strategy should concentrate on developing systems and processes that encourage short term behavioral compliance while they work on changing attitudes (or personnel) in the long term (Liff, 1997). For organizations looking for immediate results, economic or otherwise, from a two-day diversity intervention, the Value strategy will prove a decided disappointment.

Diversity Strategies in Action

The goal of this article is to provide a CVA framework that illustrates how different organizations might appropriately approach diversity depending on their focus (internal/external) and value preferences (individuality/conformity). Implicit in this argument is that the diversity strategy a company pursues should ‘fit’ the quadrant that a company rightly exists in, from a strategic, cultural and structural standpoint. Failure to maintain this fit could lead to suboptimal performance (as defined by the company) of its diversity management initiatives. One of the main benefits of the CVA framework is that it allows companies to “map” their competitive strategy, culture, structure, and diversity strategy simultaneously inasmuch as all have been described using variations of the same competing values. Lack of considerable overlap, therefore, should raise serious concerns about the efficacy and viability of all four.

It is rare that the boundaries of an organization’s cultural or structural map fall completely within one quadrant, representing a pure form. Organizational culture and structure encompass numerous, simultaneous compromises of competing values (flexibility/control, internal/external) manifesting ragged edges that spill to various degrees over quadrant boundaries. One should expect similar approaches to managing diversity strategies. It is possible that organizations use hybrid strategies, encouraging some types of diversity while at the same time rejecting others. The military, whose policy towards homosexuals (Reject Diversity) was mentioned earlier, has for the last two decades sought to integrate women more fully into all aspects of service – including combat support units. This move to increase gender diversity was more a values statement (Value Diversity) than an attempt to gain access to some unique competitive advantage that only women offer (Exploit Diversity). It is also important to note that an organization’s diversity map is not static, but evolves over time in response to external and internal impetuses. Even their definitions of diversity change as extended experience with certain differences make them seem not so different, after all. For instance, the same argument used today by the military to reject diversity in sexual orientation, that it is “detrimental to good order discipline of the service,” was made against gender diversity 25 years ago and racial diversity 50 years ago.

SUGGESTIONS FOR RESEARCH

The suggested model offers numerous avenues for future research. First, scales need to be developed to measure the type and degree of diversity strategy used by a particular company. These scales will need to capture the classic CVA measures regarding organizational focus (internal/external), tolerance for individuality versus conformity, and time orientation. Consistent with prior CVA research on culture change, the scale should measure where the organization is with its diversity preferences as well as what it considers ideal. In addition, organization’s reasons for introducing each type of diversity (voluntary or involuntary) and expectations of diversity’s impact should also be measured.
The next step in investigating the efficacy of the CVA approach to diversity management will be to classify organizations by diversity strategy, compare the fit of that strategy to the organization’s competitive strategy, culture, and/or structure, and look for positive and negative outcomes. These outcomes could include financial performance, market performance, employee satisfaction and turnover, and the level of managerial satisfaction/frustration with the company’s diversity management approach.

To date, evidence on the impact of diversity management initiatives has been inconclusive. The lack of clear findings on the fit question suggests that other factors might be at play that might moderate the proposed relationship. These factors will need to be identified. As discussed earlier, there is some limited researched suggesting a positive relationship between diversity-strategy fit and financial performance (Richard, 2000; Richard et al., 2003). Those studies also found interactive effects associated with environmental factors, with diversity having a more positive impact on performance in dynamic environments, and less so in stable environments. Anecdotal evidence exists supporting the need to match organizational diversity to market diversity, a primary argument in the business case for diversity. Obviously, insuring a proper fit between diversity strategy and competitive strategy will do little to improve performance if the latter is out of synch with the market.

Looking at the strategic management of diversity through the CVA lens raises other questions that warrant investigation. The impact of time orientation on how various diversity strategies might be implemented and evaluated is critical to the actual and perceived effectiveness of diversity management programs. As mentioned, some strategies – particularly those that involve adjusting employee attitudes and values, appear to be more time sensitive than others. What, then, would be the impact of a lack of fit between a short term orientation and long term strategy? Beyond organizational orientation, time could play a more objective role in determining diversity strategy. It was discussed that one of the reasons for introducing diversity into an organization was to satisfy a need for more people than can be supplied with traditional workers. If the need is short-lived rather than more permanent, would this impact how a company using the Reduce Diversity strategy would go about implementing this strategy? Using the U.S. military for one final example, the Union army found itself running short on soldiers during the Civil War. Their response was to enlist African-American, both free-born and former slaves, to provide the much needed manpower. Rather than fully integrate these troops into the regular units for what the leadership saw as a relatively short period, they chose instead to keep them segregated by forming all black units (with white officers, of course). It would be another 90 years before full integration of the armed forces took place. Segregation as a short term response might not be feasible in most settings, although you see some examples on the divisional level (General Motors’ Saturn Division, for instance). What then, would be the proper strategy at the individual level?

**PRACTICAL IMPLICATIONS**

The Competing Values framework offers managers a new way of looking at an old, often frustrating problem of how to get the expected results out of their diversity management efforts. Keeping in mind that CVA is new to the diversity management discussion, it still highlights
some important considerations for how managers approach this important challenge. Most important is the fact that there is no “one-size fits all” strategy for managing diversity. The model offers between two and four strategies for managing diversity, dependent on the organization’s situation and the degree to which it can relax/reject the inevitability and goodness assumptions generally associated with diversity. Diversity management is, therefore a strategic choice, the strategy for, and implementation of which must be consistent (‘fit’) with other strategic aspects of your organization.

Managers must also be aware of why diversity is being introduced into their company and what they expect to gain (or lose) from it. The strategy chosen must be consistent with managerial expectations. The Value Diversity approach used by the vast majority of diversity management consultants is internally, rather than market focused. For diversity to impact the bottom line, it must be positioned in the right place and focused in the right direction. The disconnect between strategy and expectations has been one of the main causes of perceived failure of diversity management efforts. Finally, what diversity ‘is’ evolves over time as old differences are assimilated or accepted and new differences are introduced or recognized. Diversity management, like other strategic planning imperatives, needs to be regularly revisited.
REFERENCES


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Figure 1
Competing Value Approach to Diversity

Short Term: Modify Behavior
Long Term: Modify Attitude

Short Term: Ignore
Long Term: Remove

Short Term: Outsource
Long Term: Develop

Short Term: Segregate
Long Term: Assimilate

Short Term: Modify Behavior
Long Term: Modify Attitude

Short Term: Ignore
Long Term: Remove

Short Term: Outsource
Long Term: Develop

Short Term: Segregate
Long Term: Assimilate

Value and Development of Human Resources
Growth Resource Acquisition - External Support
Stability - Equilibrium
Productivity - Efficiency

Value Diversity
Exploit Diversity
Individuality
Consutatory Concerns

Internal Focus
External Focus