

# Unleashing Human Capabilities in Organisations.

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## 2. Introduction

Ever since the start of the industrial revolution in the 18<sup>th</sup> century, businesses have had to cope with numerous challenges and threats to their very existence, such as wars, financial crisis, advances in technology, changes in legislation, the list can go on and on. Those organisations that were able to adapt their business models to meet the changing environment survived those that didn't, disappeared.

To be successful and remain competitive in business, organisations have had to fine tune their business practices and review their strategies continually to ensure that they remain competitive and relevant in the market place. At times, this continual self analysis means that organisations have had to reinvent themselves. Such as IBM who started out as manufacturer of weighing scales and tabulators, but over the years, due to technological changes, have had to continually reinvent themselves to survive (IBM, 2011).

There is one resource that almost all organisations have in common, that is people. Without people, organisations simply would not exist. Most corporate annual reports proudly state that people are their greatest assets (Barney & Wright, 1998). Therefore unleashing the capability of an organisations "greatest asset" is critical to an organisation's success or failure.

This report will look at the challenge of diversity, brought about through globalisation. Organisations are challenged by diversity on three levels; an increasingly diverse work force, a multicultural customer base and a global market place (Watson et al, 2009). This report will look at how organisations can capture the advantage of diversity and use it to create a competitive advantage, by viewing the diversity of its people not as a source of conflict and disharmony but rather valuing the diversity of people as an organisation's greatest asset.

### 3. Globalisation

Figuratively speaking the world has become a smaller place, thanks to advances in modern technology, which has transformed the world into a virtual global village. The world appears smaller as there is a sense that distant places are now closer due to the time it takes to either physically (via air travel) or virtually (through the World Wide Web) be connected to foreign lands. It is this rapidly developing network of interconnections and interdependences that now characterise modern social life (Tomlinson, 1999).

The concept of globalisation has a connotation that the world is becoming one big global village with a homogenous culture. While modern technology may have in part overcome the physical distance of foreign lands, it would be a bold statement to say that globalisation has overcome the world's cultural diversity. While it could be argued that the increasing interconnectiveness of foreign countries has resulted in some cultural homogenisation, such as the spread of McDonald's restaurants around the globe, the world is still culturally diverse.

Globalisation has resulted in a dramatic increase in the flow of people internationally. In countries such as New Zealand, Australia and Canada, where approximately one in five residents were born overseas. In Auckland approximately 40% of the population are immigrants, qualifying the city for the title of a "super diverse" city (more than 25% of its residents are immigrants) (Watson, et al, 2009).

The increase in the flow of people internationally means that most western workforces are more culturally diverse now than at probably any time in history and those that aren't soon will be (Laroche & Rutherford, 2006). Due to globalisation the western world is no longer a white Anglo-Saxon homogeneous community, if it ever was, but rather a melting pot of different cultures, languages, beliefs and traditions. While the diversity of modern society may be evident on the shop floor of the local supermarket and in the playgrounds of our local schools, the changing face of today's diverse society is not often reflected in the composition of the senior executive or in the board rooms of most large organisations.

## 4. Diversity

The concept of diversity recognises that people are not a homogeneous group but rather a group of individuals. Diversity can be along the dimensions of race, gender, sexual orientation, socio-economic status, age, physical abilities, religious beliefs, political beliefs or other ideologies (University of Oregon, 1999).

Diversity can have both positive and negative influences on team dynamics and strategic decision making (Tacheva, 2007). On the positive side, diverse teams are more effective in solving complex problems that require innovative solutions, this is because diverse teams have differing perspectives and generally have a broader knowledge base (McShane & Travaglione, 2009).

However on the negative side, diverse teams experience more conflict and take longer to develop, they have a higher risk of dysfunctional conflict that can undermine team effectiveness. Conflict occurs when people from one culture are guided by deeply held values that are at odds with the values applied by people from another culture (McShane & Travaglione, 2009). As diversity is often associated with increased team conflict, having a diverse composition of senior executives or board of directors could have a negative influence on executive strategic making and ultimately on corporate performance (Tacheva, 2007). Whereas members of a homogeneous team experience higher satisfaction, less conflict and better interpersonal relations and are more effective on tasks requiring a high degree of cooperation and coordination (McShane & Travaglione, 2009).

Organisations need to adapt their business model to meet the changing environment in order to survive. To do this they must be creative and innovative in order to gain a competitive advantage. As diverse teams are more effective than homogeneous teams in providing innovative solutions and coming up with new ideas, organisations should employ diverse teams. However diversity is also a cause of misunderstanding, suspicion and conflict in the workplace that can result in absenteeism, poor quality, low morale and loss of competitiveness. Organisations seeking a competitive advantage therefore face a paradoxical situation. If they embrace diversity, they risk workplace conflict but if they avoid diversity, they risk the loss of competitiveness (Bassett-Jones, 2005).

## 5. Advantage of Diversity

Diversity brings with it a multitude of experiences that can enhance team innovation through the generation of alternative solutions and innovation. Accordingly, the greater the diversity of senior management, the greater the potential for understanding and problem solving that can enable a company to effectively address the business environment add value and provide a competitive advantage (Bear et al, 2010). Both Richard, (2000) and McLeod et al., (1996) found that heterogeneity in decision making and problem solving, produced better decisions through the operation of a wider range of perspectives and more critical analysis of issues than homogeneous groups did.

Jack Welsh, the former CEO of GE, stated that diversity was its greatest strength. Jack Welsh helped GE thrive by taking differing and often conflicting ideas, reworking them and coming up with something better (Laroche & Rutherford, 2006).

Due to globalisation organisations need employees who can provide insights and cultural sensitivity that can improve an organisations ability to reach different market segments (Cox & Blake, 1991). Avon for example, used cultural diversity to turn around low profitability in its inner city markets. Avon made personnel changes to give Black and Hispanic managers autonomy in these markets. These formally unprofitable areas improved to the point that they became one of Avon's most productive markets (Cox & Blake, 1991).

A strategic asset must be rare in order to offer sustained competitive advantage. (Barney & Wright, 1998). A diversified workforce has the potential to be a strategic asset, especially if the organisation is able to exploit rare characteristics of its diverse employee base (Richard, 2000). As it is difficult for a competitor to discern what is in a competitor's human resource mix, the value obtained from cultural diversity is hard to imitate. While the skills may eventually be imitated this takes time and by then the imitated organisation may have developed further skills (Richard, 2000).

## 6. Capturing the Advantage of Diversity

Just having diversity is not sufficient in itself to produce benefits. While there is conflicting evidence as to the extent to which diversity can deliver competitive advantage. Cox and Blake, (1991) and Yang, (2005) argue that cultural diversity is beneficial only where organisations actively manage it. If actively managed, diversity can enhance creativity, increase job commitment, job satisfaction and provide a better interface with the market place.

In order to capture the advantage of diversity, management need to recognise the skills and knowledge that exists within their employees (Watson et al, 2009), which can be a real asset to an organisation. By learning about cultural differences and communicating more with people of different backgrounds, an organisation is able to gain a better understanding of their behaviour (McShane & Travaglione, 2009). Cultural awareness training has become a standard element of organisation change, focusing on managing diversity (Cox & Blake, 1991).

In order for an organisation's human resource to be a strategic asset and a source of sustained competitive advantage the organisation must be able to exploit the resource. Organisations have to have systems and practices in place that allow the benefits of diversity to bear the fruit of their potential advantage (Barney & Wright, 1998). Key factors that contribute to creativity and provide a collaborative climate are trust, team spirit, unified commitment, principled leadership, an elevated goal, a results driven structure, standards of excellence, participation in decision making, external support, aptitude to adjust roles and behaviours to accommodate new values and recognition (Isaksen & Lauer, 2002).

## 7. Conclusion

Cultural differences are a source of both challenges and opportunities. In most cases the challenges come first and the opportunities later (Laroche & Rutherford, 2006). Many organisations view diversity as a human resource cost to be managed, instead of a human resource asset to be fostered. Therefore those that recognise diversity as an asset have an opportunity to exploit diversity and create a competitive advantage (Richard, 2000).

Diversity is a 21<sup>st</sup> century challenge but if activity managed can enhance decision making, as a wider variety of perspectives and issues are considered and a broader range of outcomes is assessed (Daily and Dalton, 2003).

Increasing globalisation, means that diversity is becoming a prerequisite for the long-term survival of organisations. Organisations that don't embrace and exploit the diversity of experiences, values, and capabilities will be unable to generate innovative solutions and ideas, essential ingredients for strategic renewal. Organisations need to view diversity as a strategic asset that needs to be nurtured and developed as it provides a rich reservoir of knowledge, experience, ideas and possibilities that can unleash the human capability of an organisation.



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