

**Productive Diversity: Which Companies are Active and Why**  
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**Introduction**

The Productive Diversity policy was launched by Paul Keating in 1992 with the objective of increasing Australian business access to, and success in trading with increasingly diverse domestic and export markets. The policy was argued as a ‘win-win’ strategy that could support the needs of Australian businesses in a global trading environment while at the same time, take advantage of Australia’s multicultural workforce – a group identified as undervalued and unappreciated for the skills and talents that came with diverse languages and understanding of international business environments. Since that time, however, adoption by Australian business has been patchy.

This paper describes and discusses research that was funded by the Australian Research Council and conducted through the Work and Economic Policy Research Unit at Victoria University. The purpose was to try and explain why it is that some Australian businesses have actively embraced the ideas and processes promoted through a productive diversity approach while others have been indifferent. The approach was to test the hypothesis that there is a relationship between specific business characteristics and the adoption or non-adoption of productive diversity. In this paper, I describe the main research findings and discuss the findings in relation to the conference theme of the Australian Social Policy Conference, ‘looking back, looking forward’.

## **Background to productive diversity**

Productive Diversity is primarily an Australian term that has not received great currency internationally or within Australia. Other terms such as diversity management, managing diversity and valuing diversity are generally used interchangeably which I do in this paper. Essentially, the terms refer to a strategic managerial process that aims to understand, value and work with diverse people within organizations for the mutual benefit of individuals, groups and to organizational productive capacity and the financial bottom line. Diversity refers to all of the ways that people differ; by cultural and ethnic background, race, gender, age, physical ability, sexual orientation and so on. Diverse characteristics, and the varied beliefs, backgrounds and skills that come with diversity, are understood as shaping the way in which organizations function and operate (Cox 2001). The aim is to minimize the potential costs that can be created by the potential conflict that can arise through diversity, and to maximize the potential benefits such as increased innovation and creativity, employee retention, increased understanding of diverse consumer markets and an enhanced community profile.

Productive Diversity describes an Australian version of policy intended to respond to a set economic and social conditions being experienced globally. Economic reform, an increasingly multi-cultural population, women's increasing entrance into the labour market and the progressive implementation of anti-discrimination and affirmative action legislation driven by social movements created the conditions for a management response to the management of workplace diversity.

Productive diversity is also argued as a management imperative in the context of globalization. The argument is, in essence, that globalization will bring change whether employers like it or not, that homogenous organizations are unsustainable and less productive than those that are not, and that the better management of diversity will yield bottom line benefits. Through an effective management process, issues of workplace discrimination can be solved and the productive capacity of those from backgrounds other than the traditional male and white model, can be liberated.

In Australia, productive diversity was originally devised in the context of a government commitment to multiculturalism, a cultural policy that had been in place since the early 1970s (Ang 2001, p12). In practical terms, multiculturalism involved a redefinition of national identity as a 'multicultural nation' and the development of policies based on four principles considered essential for a successful multicultural society; social cohesion, cultural identity; equality of opportunity and access; and equal responsibility for, commitment to and participation in society (Australian Council of Population and Ethnic Affairs 1982, p 12). The development and implementation of productive diversity policy however, reflected a shifting policy emphasis in the late 1980s from a cultural policy focus to one that was more explicitly aligned with economic reform. This shift was shaped by a government economic reform agenda aimed at improving the ability of Australian business to trade internationally.

The Commonwealth commissioned Karpin Report (1995) was also important in further linking diversity to issues of business management in a global economy. This report emphasised the importance of 'capitalising on the talents of diversity' (ibid., p. xxxiii) and the need to utilise the skills and attributes of Australia's diverse workforce. Specific emphasis was given to women and people from ethnically diverse backgrounds (ibid. p. 175). These arguments have contributed to the progressive implementation of productive diversity policy across Commonwealth and State Government portfolios since the early 1990s (Department of Immigration and Multicultural Affairs 1999) and the development of resources and strategies to support diversity management adoption (Department of Immigration and Multicultural Affairs 2000).

There is a varied literature on diversity management that stems primarily from American management theory (Thomas 1991; Carnvale and Carol 1995; Cox 2001). In Australia, there is a small body of theoretical literature that seeks to apply diversity management theory in the Australian context (Shaw 1995; Cope and Kalantzis 1997) as well as a body of applied research that seeks to understand the adoption of diversity management by Australian business as well as to develop methods and strategies for increasing diversity management adoption (Dagher and D'Netto 1997; Bertone, Esposito et al. 1998; DaGama Pinto, D'Netto et al. 2000; Nicholas 2000; DeCieri and Olehalns 2001). Internationally, there is also a growing

body of critical literature that questions the theoretical assumptions of productive diversity, the politics of productive diversity as a policy and management framework and the outcomes of productive diversity policy in terms of social justice and workplace relations (Prasad 1997; Kerston 2000; Lobriecki 2001). My approach is informed by these critiques and, while productive diversity is clearly problematic, the need to grapple with and understand diversity per sé is understood as being of continued and increasing importance. Global trade, the migration of workers and social inequality continue to be dynamic trends that shape the business environment in which Australian companies operate. Hence, recognition of the need to understand and manage ethnic and cultural diversity continues as a priority.

### **Research Aims**

The research was designed to test the hypothesis that there are some business characteristics that are related to the adoption of productive diversity practice while others are not. This hypothesis arises from the findings of Bertone et al. (1998) who observed that some companies appeared more responsive to, and had a better understanding of, productive diversity than did others. The proposition was that those companies that were more characterised by the impacts of globalisation, such as being engaged in expanding export markets for example, were more likely to understand the benefits of a productive diversity approach and be encouraged to adopt this for the benefit of organisational productivity. This led to the identification of a set of business factors that were thought to be potentially be related to productive diversity adoption (Bertone, Esposito et al. 1998). These include four sets of factors. The first is the role of competition in the product market, the product or service type and the cultural characteristics of the company's markets. The second set includes work force factors including employee skill level, the degree of labour scarcity and the cultural diversity of the workforce. The third set relates to company characteristics such as company size, the focus on international trade and level of overseas ownership. The final set of factors relate to managerial style and organisational structure. The business factors considered are represented in Table 1.

**Table 1 Business factors within the business factor model**

<b>External factors increasing the likelihood of productive diversity</b>	<b>External factors reducing the likelihood of productive diversity policies</b>
<p><b>Product Market</b></p> <ul style="list-style-type: none"> <li>• Diverse</li> <li>• High value added</li> <li>• High levels of competition</li> <li>• Significant service component</li> </ul> <p><b>Workforce</b></p> <ul style="list-style-type: none"> <li>• Multicultural</li> <li>• High level of skill/education</li> <li>• Mobile</li> </ul> <p><b>Business</b></p> <ul style="list-style-type: none"> <li>• Large workforce (&gt;100 employees)</li> <li>• Overseas owned or Australian multinational</li> <li>• Strong export orientation</li> <li>• Stand alone</li> <li>• Innovative</li> </ul> <p><b>Managerial</b> <i>Post-Fordist</i></p> <ul style="list-style-type: none"> <li>• Team based</li> <li>• Participative</li> <li>• Decentralised control</li> </ul>	<p><b>Product market</b></p> <ul style="list-style-type: none"> <li>• Standardised</li> <li>• Low value added</li> <li>• Low levels of competition</li> <li>• Mostly product based</li> </ul> <p><b>Workforce</b></p> <ul style="list-style-type: none"> <li>• Homogenous or understood as such</li> <li>• Low level of skill</li> <li>• Easily replaceable</li> </ul> <p><b>Business</b></p> <ul style="list-style-type: none"> <li>• Small to medium workforce (&lt;100 employees)</li> <li>• Locally owned</li> <li>• Low export orientation</li> <li>• Controlled by head office</li> <li>• Lacking in innovation</li> </ul> <p><b>Managerial</b> <i>Fordist</i></p> <ul style="list-style-type: none"> <li>• Hierarchical</li> <li>• Authoritarian</li> <li>• Centralised control</li> </ul>

**Productive Diversity ‘Adoption**

In order to test this model, it was necessary to construct criteria by which to classify companies consistently according to their approach to productive diversity. Much of the diversity literature portrays productive diversity as relatively unproblematic. There is, however, considerable variation across the literature as to what productive diversity actually means, conceptually and in practice and this definitional problem is exacerbated by the fact productive diversity is actually a change process that should be shaped by the context in which a given company operates (Pyke 2005). Considerations such as employee skill requirements, labour market demographics, market characteristics, industry type and so on should, by definition, govern the type of practices undertaken in a productive diversity approach. The strategy that has been applied to resolve these difficulties is the development of a series of productive diversity ‘types’. Companies were identified as falling into one of four ‘types’; integrated, progressive, minimalist or uninterested. Those identified as integrated or progressive were classified as productive diversity ‘adopters’ and those that were minimalist or uninterested were identified as non-adopters. Table 2 illustrates the characteristics of companies according to the ‘types’ that have been developed.

**Table 2 Productive diversity organisational types**

	ADOPTERS		NON-ADOPTERS	
	Integrated	Progressive	Minimalist	Uninterested
<b>Policy framework</b>	Diversity policy communicated across the organisation.	Diversity is on the agenda – policy being implemented or policy under development.	Policy – but only communicated if required legally or in a ‘pro-forma’ manner.	No policy and no intention of development.
<b>Concept of diversity</b>	Organisation strongly states in both external and internal forums that diversity is valued. Diversity is broadly defined and issues relating to relevant diversity characteristics (race, ethnicity etc) are explicitly addressed. Productive diversity is customised for organisational context.	The organisation’s mission, charter, website and/or diversity policy states that diversity is valued either explicitly or implicitly.	Diversity defined broadly but policy and any activities focus on meeting legislative requirements.	Diversity is considered irrelevant.
<b>Equal Employment Opportunity</b>	Integrated approach with diversity management built on or related to Equal Employment initiatives.	Diversity policy may include only Equal Employment Opportunity policies but there is evidence of reflection and plans for further development (eg. there is some expressed link between diversity and EEO)	Complies with applicable anti-discrimination legislation.	Absence of Equal Employment Opportunity policy and Possibly expressed resistance to legal compliance.
<b>Strategic Planning</b>	Diversity underpins strategic planning both implicitly and explicitly (eg. diversity issues addressed in Key Performance Indicators, marketing plan, training and development program, internal climate interview etc).	Diversity is picked up in one or more aspects of strategic planning (eg. one or more diversity related KPIs, included in professional development program).	Only included in strategic planning where required by legislation.	Diversity is not considered relevant to any aspect of business management.
<b>Productive diversity resources</b>	Resources allocated to diversity related initiatives as part of forward planning.	May or may not have resources allocated but are currently planning to seek or allocate resources	Some resources allocated but there are no plans for expansion or development.	No resources allocated to diversity.
<b>Diversity Personnel</b>	At least one person responsible for the planning and implementation of diversity policy and strategy.	One person has some responsibility/interest in diversity and there are plans or expressed desire to increase this commitment.	Tasks allocated to personnel when seen as necessary to ensure legal compliance.	No staff allocation and expressed resistance to doing this.
<b>Innovation</b>	Have designed and implemented several innovative and customised strategies to address diversity issues.	Have at least one key focus area where innovative responses are planned or in place.	No innovative strategies either planned or in place beyond legal compliance.	No plans and no intention of implementation diversity related initiatives.

## **Method**

Two methods were used to gather data on companies and their approach to productive diversity. These were structured telephone interviews and analysis of company annual reports. The research population was the top 511 companies as listed by the Australian Stock Exchange. The structured interview format was informed by the productive diversity typology and by the details required to classify companies according to the business factor model. Additional company details were identified through a review of company annual reports, which were accessed by an electronic data base, Connect 4 (1999/2000). One hundred and sixty-nine companies out of the survey population were excluded from the population because the company had either closed down or merged with another company since the compulsory lodgment of the annual report to the Australian Securities and Investment Commission (ASIC) in the 1999-2000 financial year or because they employed fewer than 20 people in Australia. One hundred and fifty-six interviews were successfully conducted representing 41 per cent of the effective research population. Companies were classified according to the productive diversity typologies and the results of the telephone interviews were recorded in an SPSS data file analysed using regression analysis. In brief, the interviews were successful in gaining representation from across a range of industry sectors and company characteristics. Most importantly, the research method was seeking to gain representation for the company characteristics as identified within the business factor model.

## **Results**

Pearson correlations were used to identify potential relationships between business characteristics and productive diversity adoption. The results of these tests can be found at <http://wallaby.vu.edu.au/adt-VVUT/public/adt-VVUT20050322.162924/index.html>. For the purposes of this paper, however, there were really two main findings relevant to the discussion that follows.

First, productive diversity management adoption by Australian companies is low. As Table 3 shows, slightly more than one-third of all respondent companies (35%) were identified as productive diversity adopters with only nine of these, identified as 'integrated'. This results aligns with results of previous industry research (Bertone, Esposito et al. 1998; Nicholas 2000) which confirms that adoption of productive diversity has been relatively low.

**Table 3 Productive Diversity Adoption**

<b>ADOPTERS</b> 55 companies (35%)		<b>NON-ADOPTERS</b> 101 companies (65 %)	
<b>Integrated</b> 9 companies 5.8 %	<b>Progressive</b> 47 companies 30.1%	<b>Minimalist</b> 68 companies 43.6%	<b>Uninterested</b> 32 companies 20.5%

The second major finding was that no relationships of significance could be identified between business factors and productive diversity adoption and none of the business factors could be identified as being associated with adoption or non-adoption. For example, it was assumed that a company that employs a highly multicultural workforce would be more likely to adopt a productive diversity approach than one that didn't. The results showed no evidence for this.

This was the case for all of the identified business factors and as an illustration, Table 4 shows how within the category of industry type, there is relatively even representation across industries according to diversity adoption or non-adoption.

**Table 4 Cross tabulation of industry type and productive diversity adoption.**

<b>Industry</b>	<b>Productive Diversity Type</b>				<b>Total</b>
	<b>Integrated</b>	<b>Progressive</b>	<b>Minimalist</b>	<b>Uninterested</b>	
Agriculture, Forestry and Fishing		4	6	3	13
Mining	3	10	12	9	34
Manufacturing	2	10	14	4	30
Electricity, gas & water supply		1		1	2
Construction		2	1	6	9
Wholesale trade		1			1
Retail trade	1	3	2	1	7
Accommodation, cafes & restaurants		1	3	1	5
Transport and storage		3		1	4
Communication services		2	4	2	8
Finance and insurance	1	2	9	1	13
Property and business services	1	4	9	3	17
Health and community services	1	1	2		4
Cultural and recreational services		3	5		8
Personal and other services			1		1
<b>Total</b>	<b>9</b>	<b>47</b>	<b>68</b>	<b>32</b>	<b>156</b>

Basically, the hypothesis could not be supported and business characteristics do not explain reasons for productive diversity adoption.

## **So why do companies adopt diversity management?**

While business factors could not explain productive diversity adoption, considerable data was gathered that was successful in identifying a range of contributing factors for both adoption and non-adoption. This section identifies and discusses this evidence in relation to its implications for social policy.

### ***Business characteristics important sometimes in some places***

While no clear patterns of adoption could be found, it was clear that each of the business factors are sometimes important depending on specific company circumstances. For example, it was the influence of the overseas ownership that drives one company identified as 'integrated', towards productive diversity adoption. In this case, the Australian based CEO is required to report to the American based parent company on productive diversity outcomes and a bonus is contingent upon performance in this area. Clearly, in this case, the influence of overseas management is over-riding. Overseas ownership in itself, however, did not lead to the same outcomes in other companies and other factors were more influential in relation to productive diversity adoption or non-adoption. This was born out with all of the factors in the model and interview results suggest that there are other influences that were not included within the business factor model that were important. I believe these factors are inter-related and include the factors of 'place and space', leadership factors, the policy implementation process and the political climate that has evolved since policy implementation in 1992.

### ***'Place' and 'space'***

By 'place', I refer to the combined influence of locality, community and history in shaping industrial relations and managerial practice and beliefs. This concept is applied in regional development and industrial relations literature as a way to explain the complex local interactions that go to shaping corporate behaviour and outcomes as it is manifested in various locations. As Rainnie and Paulet (2002) argue, it is important to highlight that 'place matters' in the global environment where 'companies play off localities against each other as sites for investment', and at the same time, 'regions are competitive in rushing to trade financial and social benefits in order to attract quantities of jobs...' (2002, p1). Within the globalisation literature, there is a belief that capital is mobile and labour relatively immobile (Allen, Massey et al. 1998). In this way, 'place' interacts with 'space' which is, as Rainie and Paulet describe, 'social relations stretched out (2002, p3).' Space describes the macro environment of global influences and developments. Ohmae (2000)

calls this the 'invisible continent' which is governed by international electronic commerce, information technology and global capital flows rendering geographic and national boundaries as still important, but interchangeable settings for global capital. Peck (1995) expands on how this space is also socially constructed and provides the backdrop for, and interacts with local, cultural and geographically bounded interactions and communities. Peck (ibid.) describes all labour markets as being spatially specific and that local labour markets are established at the intersection of 'space' and 'place'. In this context, the characteristics of corporate 'space' and its interaction with the labour market and the labour market environment within a given location are of great importance in terms of management processes and priorities and for this research, whether or not productive diversity will be adopted.

Interview respondents commonly talked about their understanding of 'place' or local conditions and characteristics as being important in relation to questions of productive diversity and why, and if, it was adopted. For example, the diverse ethnic composition of metropolitan Melbourne and Sydney has led to the development of financial products targeted to specific ethnic communities for one metropolitan based finance company identified as 'integrated'. This company recruits employees for their diverse language and cultural skills, and the staffing of regional offices according to the specific local community client base. For another rurally based bank identified as 'minimalist' in their approach to productive diversity, the interviewee said that, 'I can't see any need to be bothered – we don't have any people from diverse backgrounds in this area.' Of course the region he is talking about is diverse on many criteria, if not only in relation to gender, age and physical ability. For these two examples, however, the perception of place and understanding of diversity within their region or locality, provide important reasons for productive diversity adoption or non-adoption.

The results also provide many examples of how perceptions local community traditions and values shape company responses to productive diversity. For one company, the approach to 'community engagement' and to respond to their local market, was to sponsor five football teams in their region. Such actions reflect the values of the traditional Anglo-Celtic rural community. Similarly, the same interviewee said that diversity was difficult because employment continued to be a 'family affair' and that they demonstrated their corporate commitment to their local community by employing through family networks to support local employment. This was, he said, becoming a problem in

that the profile of the existing workforce was ageing, staff turnover was low and with increasing technological sophistication, their labour force requirements were reducing. Another interviewee from the mining industry recognised the importance of being in harmony with the community in order to operate. This company was identified as ‘minimalist’ and the few diversity related strategies beyond legal compliance measures related to community relations exercises such as the development of relationships with local schools through work experience programs and community group sponsorships.

While ‘place’ was clearly important to many companies in relation to their adoption of productive diversity for others, depending upon industry type and corporate history, the idea of geographic or community boundaries was seemingly irrelevant for companies that perceive their business as global and without local geographic boundaries. For one communications company based in Sydney, for example, the concept of productive diversity was regarded as irrelevant and a ‘waste of time’. This company had been in operation for only a few years and while skilled communications engineers and information technology experts were recruited from overseas, the company focus was entirely on meeting skill requirements. This company trades internationally, yet the need for specific cross-cultural management strategies or customising products to a diverse market was not a consideration. For this company, the ‘invisible continent’ that Ohmae (2000) describes, is their perceived business environment and this world places local dynamics as a very minor determinant of business operations.

Another example of the complex interactions of ‘space’ and ‘place’ came from a ‘progressive’ company in the accommodation and hospitality industry. This was an international hotel, located in Northern Queensland, providing five star holiday accommodation. Productive diversity strategies are highly important to this company due to the need to provide high quality personal services to an international market. Strategies to recruit diverse employees and respond to ethnically diverse customers are well entrenched and, while not formally packaged as such, the concept of productive diversity is core to the management philosophy. In this case, the geographic location is clearly essential to the approach to management yet local community is not. The company is defined by the global market and, while their attractive location or ‘place’, is the primary business asset, their connection and interaction with the local area is very limited.

The point of this discussion is to highlight the complex local and global interactions that companies work within and that 'place' and 'space' are important influences on productive diversity adoption. My results provide some evidence of the complexity of these factors and how they interact to influence management approaches to productive diversity. They also suggest the possibility that those companies with a stronger understanding of locality and 'place', may be more likely to work with diversity. This is contrary to the policy assumption that those with an eye on the international 'space' as their business environment, would lead to productive diversity adoption.

### ***Leadership factors***

Maximising the participation of people from diverse ethnic backgrounds within Australian business was central to the productive diversity agenda in order to meet the challenges of a global business environment. Much of the policy effort has been concerned at influencing organisational management and leadership to change and recognise the importance and potential benefits of productive diversity. However, research continues to show that Australian organisations continue to be characterised by embedded patterns of gender and cultural representation (Collins 1991; Sheehan 2001; Doughney 2003; Kryger 2003). Wider adoption of productive diversity should have influenced such patterns and there is substantial evidence to say that leadership factors provide a significant reason for the low and uneven adoption of productive diversity. O'Flynn et al. (2001) report research results that show that many Australian corporate leaders attribute little or no importance to productive diversity, fail to see the benefits of productive diversity strategies and that the 'compliance culture' of meeting minimum legislative requirements in relation to diversity related agendas is prevalent. Sinclair supports these findings and concludes that 'diversity leadership is rare' (2000 p 48) and that few organisations are proactively designing and implementing strategies that respond to, and build on, that diversity. Sinclair (1998) argues that this stems from the prevalence of traditional notions of leadership that are embodied by the white heroic male that render women's role as leaders invisible. In this context, women and people from multicultural backgrounds and particularly those from non-English speaking countries, face intractable cultural barriers to entry into positions of leadership. As Sinclair describes, 'subtle but powerful processes of selecting and reproducing leadership' maintain a narrow and masculine leadership mould that is dominant in Australia (Sinclair 1998p 177; Sinclair 2000p 177). To add to this point, Siemensma (2003) argues that management education in Australia continues to be a gendered experience that actively promotes content and

cultures that are both competitive and 'macho'. As such, traditional models of management are promoted and the patterns of participation are reinforced. My findings similarly demonstrate a dominant managerial leadership profile of Australian born, middle age men. The profile of senior management from the companies that I interviewed was 85 per cent male, only 6.5 per cent from non-English speaking backgrounds, and almost half (46 per cent) were more than 45 years old. Several interviewees (female) also reported the difficulty in convincing management of the need for productive diversity strategies and that the culture of male domination prevents change in management processes. Further, most companies (64 per cent) included in my results were either identified as 'minimalist' or 'uninterested' in relation to their approach to productive diversity. My findings support Sinclair's argument that the characteristics, backgrounds and beliefs of management in Australia make a clear contribution to the uneven and low adoption of productive diversity by Australian companies. If the dominant Australian managerial culture is one which is compliance oriented, and relatively homogenous in its profile, those leaders that fully embrace productive diversity as a core business process are scattered and few in number. Consequently, those structural factors that in theory, provide the impetus for productive diversity, are likely to be over-ridden, at least in part, by the lack of support by managerial leaders.

### ***Productive diversity adoption and 'rational self interest'***

Another obvious factor to consider is that companies don't have to manage diversity if they don't want to. As discussed in chapter 1, Australian governments, have promoted the concept, developed policy frameworks and have made resources available to support various programs, research and implementation tools. However, there are no legal compliance requirements. Research by O'Flynn et al., (2001) calls Australian business as being characterised by a 'compliance culture' and identifies that Australian business clearly responds to related agendas that are backed up by legislation. My findings support this. Australian companies are required to comply with a range of legislation that is related to productive diversity. These include the Racial Discrimination Act 1975, the Sex Discrimination Act 1984, the Disability Discrimination Act 1992, the Equal Employment Anti-discrimination Opportunity (Commonwealth Authorities) Act 1987, the Affirmative Action (Equal Employment Opportunity for Women) Act 1986 and the Native Title Act 1993. My results show that 94 per cent of the research population said that their companies 'talk about equal employment opportunity' and 90 per cent said that they 'tackle discrimination'. There is at least, expressed compliance by companies.

In contrast, productive diversity has been promoted to business on the basis of the benefits that can be derived.

When Paul Keating launched the productive diversity policy in October 1992, the policy was advocated on the basis that Australia's diverse community is a prime business asset. This was a significant move from previous deficit models of access and equity that had focussed on disadvantage and the need for legislative and program interventions to eliminate barriers to workforce participation. In his speech at the time, Keating celebrated the qualities and attributes of migrants and said that employers had not taken advantage of Australia's large population of ethnically and culturally diverse people in accessing new overseas market opportunities. The main objective he said was to,

‘...stem this waste of talent.... There is a significant issue of social justice involved here as well. But **rational self-interest** [my emphasis ] alone dictates that we try to liberate the resources locked away. (Keating 1992)

It is this ‘rationale self-interest’ that was intended to drive the increasing adoption of productive diversity by employers. This has been the continuing rationale under the succeeding conservative federal government since 1996 led by John Howard, which is reflected in the current productive diversity policy being implemented primarily through the provision of information, resources and other persuasive devices to encourage business to adopt productive diversity (Australian Public Service Commission 1998).

My research results and others (Bertone et al., 1998; Nicholas, 2000) demonstrate that employers in the private sector have not taken up this policy message to any great degree. The idea that productive diversity adoption will increase due to ‘rational self-interest’ needs to be questioned. Proponents of equal employment opportunity and affirmative action have long explored and demonstrated the deep resistance to change demonstrated by employers in implementing measures for organisational change in relation to equity and social justice issues (Burton 1991; Poiner and Wills 1992; Hawthorn 1994) This research identifies a range of reasons for such resistance, many of which are unconscious and stem from the fear of change to the status quo that currently serves the interests of Australian (predominately white and male) managers very well.

The productive diversity argument is based on the idea that globalisation will bring change whether employers like it or not, that homogenous organisations are unsustainable and less productive than those that are not, and that the better management of diversity will yield bottom line benefits. Through a well-organised management strategy, issues of discrimination can be solved and the productive capacity of those from diverse backgrounds can be liberated. In effect, the productive diversity policy approach optimistically assumes that employers will recognise the sense of this and, with a little encouragement, will see that this is the only sensible path to pursue. The low and uneven adoption of productive diversity suggests that the assumption that employers will be persuaded to implement productive diversity on the basis of ‘rational self-interest’ is clearly over optimistic. A range of psychological, social and cultural influences render the ‘bottom-line’ as only part of the equation that shapes employer ‘rationality’ and ‘self interest’ and, as Prasad (1997) argues, the productive diversity argument commonly ignores the historically based and the deeply embedded psycho-social processes that shape the construction of ‘otherness’ in the workplace.

### ***Political climate***

A further obvious consideration is change in the policy context since the launch of the policy in 1992. It was a Labor government that originally implemented productive diversity parallel to the implementation of an economic reform and trade liberalisation agenda. The policy emerged as part of a broad commitment to multiculturalism and was part of an integrated social and economic policy agenda to aimed to address some of the harsher social and economic impacts of globalization (Wiseman 1998). In a discussion of Australian ethnic relations over the past decade, Bertone and Leahy argue that the current conservative Federal government led by Prime Minister John Howard since 1996 has shifted the policy context from one which was grounded on ‘a comparatively tolerant, bipartisan consensus’ to one which is actively hostile to minority cultures and groups (Bertone and Leahy 2003) Certainly, the Australian government’s response to, and participation in, recent world events such as the September 11 New York bombings, the American led war against Iraq, and Australia’s policy of mandatory detention of refugees and asylum seekers has led to a ‘hostile environment within the community towards multiculturalism (ibid., p. 102).’ This context leads them to question the possibility of achieving effective productive diversity in a climate characterised by such intolerance.

Given that only five per cent of respondents could be clearly identified as full adopters of productive diversity and that only thirty-one per cent could be identified as ‘progressive’ or moving towards adoption, the numbers of adopters are too low to identify clear patterns. The low rate of adoption can be explained by the lack of incentives for doing so and the dubious assumptions about business motivation that are embedded within the policy rationale. Further, the political climate is such that efforts to promote productive diversity are dissuaded in an increasingly conservative political climate that discourages notions of multiculturalism in which the ideas and principles of productive diversity were originally conceived.

### **Implications for social policy: looking back/looking forward**

These research results confirm that productive diversity has not been widely embraced and that adoption has been uneven and low. Interview findings also show that the concepts and potential benefits of productive diversity have not been widely understood and that the large majority of employers and senior managers within my sample, contrary to the original policy rationale, did not see productive diversity as a potential opportunity to gain a competitive edge in an increasingly international trading environment. Clearly, policy implementation efforts to date, have not been effective in supporting Australian companies to harness the skills and capacities of a diverse workforce. This is particularly the case in relation to cultural diversity and Australian companies demonstrate little appreciation or understanding of the productive potential of cultural diversity within organizational operations.

The research also identifies that there are many reasons for the adoption of a productive diversity approach and these reasons vary according to context and specific company characteristics and conditions. This is supported by recent research by (Charlesworth, Hall et al. 2005) who identify that there are a range of drivers for organizational decisions about EEO/diversity actions and these are interrelated with varying contexts. The reasons for implementing change processes are multiple, diverse and vary across industries and contexts. As such, formulaic or ‘one size fits all’ policy approaches are unlikely to have much impact.

Importantly, my research identifies ‘place’ and perceptions of community as being important in shaping organizational practice. There is much evidence from my research

to show that managerial perceptions of customer and employee diversity are highly varied even in the same context. These perceptions are an important influence on whether or not diversity management is understood as a priority or not. There are numerous examples where managers believe that organizational constituents are homogenous, effectively ignoring the role of gender, cultural background, age and so on in shaping customer or employee needs, preferences and behaviors. In this context, policy efforts may be more effectively linked to regional and local economic development strategies, where the relationships between organizational practice and diverse communities and labour markets might be more clearly identified and articulated.

Diversity management adoption and implementation is also clearly hindered by Australian corporate leaders who have little understanding of the role of diversity within organizational operations. The current profile of Australian senior managers remains predominately white, male and middle age – particularly within the private sector. This is a group with little incentive for advancing the opportunities and progression of diverse people within the organizational structure. There is room for a continued focus on affirmative action and capacity building of Australian senior managers in relation to understanding diversity and how this can be supported as a means to enhance organizational productivity.

Finally, there has been little attention or commitment to diversity management by the current Commonwealth government. Essentially, productive diversity was a creation of a Labour government and as Summers (2004) so extensively argues in relation to women's policy agendas, government resources for the implementation of EEO/diversity related initiatives have been greatly diminished. Organisations are unlikely to be motivated to give a focus to diversity management without encouragement, support and incentives.

## **Conclusions**

I have argued that there are a number of interacting factors that influence the adoption of productive diversity that include locality, notions of community, history and leadership. Furthermore, these factors combine inconsistently across companies. I have also argued that the theoretical and policy assumptions upon which productive diversity is based, underestimate the complex social, psychological and cultural influences that shape the distribution of power within organisations according to gender and ethnicity. This leads to the dubious policy assumption that employers will

be motivated to adopt diversity on the basis of potential productivity gains. I argue that the low and uneven adoption of productive diversity can be partly explained by the complexity of employer motivation, the lack of compliance incentives for productive diversity adoption and the prevailing conservative political climate in relation to issues of equity and diversity.

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