Organisational Diversity and knowledge sharing

Conference paper

Ethnic Minorities, Integration and Marginalisation
Copenhagen, Denmark
February 26th – 27th 2004

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Abstract:
The last years’ focus on diversity management has gone from social responsibility to arguments for the competitive advantages, called the business case. It has been argued that diversity management can increase organisational efficiency, improve on moral, and give better access to new market segments. But a substantial critique has recently been launched at the arguments for the business case for diversity, especially in the employment of knowledge synergies. Most studies that support or reject the business case argument have limited their research to establish a link between organisational productivity and diversity management - that is not engaging in a discussion of how and why there could be potential benefits or difficulties. In this paper we will describe and analyse some of the complications multicultural organisations can experience in regard to knowledge sharing.

Introduction
One could ask why managers in organisations should be interested in organisational diversity. Some years ago the answer would relate to social responsibility. Today the debate on organisational cultural diversity is much more related to arguments for the business case. In that way changes have been introduced to the field of diversity management. During the last few years it has been common place to argue that diversity management can increase organisational efficiency, improve on moral within the organisation and give better access to new market segments in the quest for what has been called ‘the real benefits of diversity’ – the application of diverse knowledge and knowledge synergies (Thomas and Ely 1996). Those arguments have been very influential in the debate of diversity management in most of the western world (Wrench 2002).

In this paper it will be argued that the business case for diversity management is mostly build on assumptions and limited research efforts. The diversity management literature especially fails to address thoroughly some of the difficulties arising from organisational diversity. It is suggested that by including the organisational context and group dynamics the approach to understanding diversity could be more sufficient dealing with the issue of diversity today.
We will argue that the present view on knowledge sharing within diverse organisations could benefit from acknowledging certain barriers that retain the cross-cultural knowledge flow. Examples and arguments appearing in this paper are developed from two case studies based on ethnographic fieldwork (Lauring 2001, 2003). Findings from the case studies indicate both containing and constraining pattern for the knowledge flow within cultural diverse organisations due to the social structures resulting from diversity.

**From Equal Opportunities to Competitive Advantages**

The rising attention towards diversity management has mainly come from the demographic changes due to immigration. Organisational diversity has gone from being a self-selected choice to being an inevitable reality in many organisations (Fernandez 1991; Smith 1998). Another influential factor to enhance the attention for diversity management has been driven by the globalisation of the market and the changes of organisational structures. The move from specialised and more hierarchical organisational structures to a more flexible and decentralised working environment, as well as general globalisation, has made the ability to understand and work with differences important aspects of running a business (Henkoff 1993; Cope and Kalantzis 1999).

The idea of giving all employees equal opportunities in the labour market, regardless of group affiliation was a critique of meritocracy and its acclaimed neutrality towards race and gender issues. There were made suggestions that employees were to be treated differently, in regard to recruitment, retention and promotion, to actually have the same opportunities (Kirton and Greene 2000).

But both Equal Opportunities and Affirmative Action has been given some substantial critique both from left and the right the last years. From the right Equal Opportunity has been criticised for stereotyping the dominant groups loosing the interest of white males in management position. Particularly in America people were growing tired of being called racists and chauvinists in diversity sessions (Denton 1997; Hemphill and Haines 1997; Linnehan and Konrad 1999; Konrad 2002).

From the left the Equal Opportunity approach has been criticised for potentially undermining union work on removing more deeply rooted structural inequalities and discrimination practices. By implementing superficial Equal Opportunity programmes some companies have been able to limit union influence on the organisation of the labour force. Viewed from that vantage point the issue of diversity should be left in the hands of managers alone (Wrench 2002).
Initiatives have also been criticised for being ineffective in introducing real changes to the organisation and for being too fragmented focusing on a single minority group without any wider coordination (Hall 1995). Hall argued that the principles of Equal Opportunity applied to more specialised functions and fitted the older top-down bureaucracies better than the newer more flexible and decentralised management structures.

The above-mentioned critiques have all had influence on the theoretical and practical work on diversity. But the most substantial problem in integrating the Equal Opportunity programmes has probably been the lack of appeal to more liberal business arguments and measurable results on the bottom line.

The critique of Equal Opportunities, in the 1990s, has led to a change in the rhetoric highlighting the potential business advantages in diversity management (Litvin 2002). The arguments for the business case did not arise overnight but had been underlying the debate the whole time as people feeling valued in their workplace should be more productive in all ways and in supplement organisational diversity would also give better access to talent (Kirton and Greene, 2000).

R. Roosevelt Thomas Jr. (1990; 1999) was one of the first and most influential spokesmen for the more liberal business case argument. He was very influential in moving the rhetoric to a more liberal position. He argues that social responsibility, legal compliance, and community relations all are good reasons for learning to manage diversity, but none of them are business reasons, and given the nature of today’s competitive challenges, Thomas (1991) concludes that only business reasons will supply the necessary long-term motivation.

The list of potential business directed gain from diversity and diversity management is long and goes much further than the benefits mentioned in the classical Equal Opportunity programmes. Within the business case argument some researchers have focused on cultural diversity as leading to diverse perspectives on business issues that consequently result in better problem solving (Harrison 1995; Adler 1997). Others have argued that culturally diverse groups produce more creative and innovative thoughts (Burton 1992; Smith 1998). Broader market intelligence and internationalisation have also been mentioned as some of the benefits that management of organisational diversity can yield (Cox and Blake 1991). With regard to international business it has been argued that diversity management can enhance international product development, improve subsidiary management and facilitate global networks and alliances (Hogg 1990; Stanley and Ingram 1990; Fujimoto and Hartel 2000; Lau, Nicholas et al. 2001).
Diversity management could also lead to advantages in selection, development and circulation of expatriates (e.g. Zeira and Adler 1980; Tung 1981; Torbiörn 1982; Thomas 1996).

At first glance the listed arguments sounds both plausible and desirable for anyone running a business but the movement towards the business case could not be initiated by the managers strive for competitive advantages alone. Research results to support the ideas had to be put forward.

**Building the Business Case for Diversity Management**

The business case arguments are often built on empirical evidence from a number of laboratory and classroom experiments from the 1960’s (Cox and Blake 1991; Nkomo and Cox 1996). Many arguments refer to a number of studies conducted by Hoffman and Maier (1961), showing that a group of mixed cultural background and gender produce better quality problem solutions than the more homogenous groups. However a closer reading of these studies reveal mixed outcomes, limitations, and reservations towards the benefits of diversity and they mainly come to the vague conclusion that organisational diversity will yield both benefits and difficulties. Some researchers have found a positive effect on organisational efficiency gained from group diversity but only in regard to well-integrated groups and after initial conflicts had been solved (McGrath 1984; Maznevski 1994). On the contrary others have found that heterogeneous groups can also be damaging for organisations due to social conflicts (Stephenson and Lewin 1996). Other studies also show evidence of enhanced conflicts but at the same time gains in innovation and creativity (Williams and O'Reilly 1998; Jehn, Neale et al. 1999). Other studies again find no effects of diversity at all (Campion, Medsker et al. 1993).

The problem with many of these studies is that they do not include a time perspective, conflicts of interests, and power relations to a very high extend. Being conducted in isolated settings the experiments cannot be related directly to the diversity issues in organisational life. Even though these studies have been used to support the business case argument, in sum the results show that the gain of competitive advantages from organisational diversity cannot be taken for granted. Benefits and difficulties seem to be highly context dependent and it would be very hard to predict from those studies whether the effect of cultural organisational diversity yield strengths or weaknesses to a specific organisation.

The inconsistencies of the results in the studies and experiments concerning the effects of cultural diversity on organisational efficiency have given rise to academic critique of the business case argument. But until now most of the more positive authors on the subject have argued that even if the results of the laboratory experiments were not
unambiguous the negative outcome could be related to the fact that real diversity management had not yet been employed, giving rise to the idea that some of the slightly positive results could be dramatically enhanced by the intervention of diversity management programs (e.g. Cox and Blake 1991; Nkomo and Cox 1996).

The superficial evidence of the business case has called for more in-depth and on-site studies of the organisational diversity that have been missing for so long. A recent and most extensive study by Thomas Kochan (2002) and a group of well-estimated researchers might be able to shed some light on the relation between organisational diversity and business-related results for researchers to move on to the real problems of how and why diversity could be related to business advantages.

Since 1997 this research group has worked on a major project to document the relation between diversity management and organisational efficiency and innovation. The studies were conducted as both quantitative and qualitative investigations of four large American companies – all with what Kochan terms ‘well-deserved reputations’ for their dedication and longstanding commitment to build a diverse workforce and to work with diversity management. In spite of the fact that the included companies had different characteristics in size and line of business the research results were strikingly similar.

Kochan et al. (2003) found that diversity did not have the desired positive influence on organisational efficiency that has been proposed by the more optimistic line of research and rhetoric. But diversity did not have the negative effect on group processes some of the literature has been warning about either. The only positive correlation between organisational diversity and improved efficiencies were found in working environments where cross-cultural learning and knowledge sharing actively was promoted. A more negatively correlation was found in multicultural groups with heavy competition. Instead they found that a number of different aspects of the organizational context and some group processes had an effect on the diversity-performance relationship. Kochan et al. (2003) suggests organisational culture, business strategy and human resource policies and practices could moderate the influence of organisational diversity. In other words this recent study highlights the general organisational context and group dynamics as the most influential factors in connecting diversity management to bottom line achievement. Still we need to understand more deeply the dynamics of human diversity in organisations to engage in management prescriptions.

The Kochan study suggests that diversity, in some cases, can be negative for organisational efficiency. Those results should motivate researchers to look more into solving the problems arising from diversity. Even though the field of international business for long has worked intensively with the problems arising from intercultural
interacting it seems not to have attracted the same attention in the diversity management literature. Linnehan and Konrad (1999) are some of the authors that have actually done research on solving the problems that develop in diverse environments. They argue that many authors through the business case argument have tried to link diversity management to the interest of employers and managers as a way to justify the importance of the diversity issues. Instead they state that research on how to avoid negative consequences of diversity such as inter-group conflicts is needed. Reducing conflicts might still be the most profitable gain from diversity management in many situations.

Most studies mentioned here has tried to reveal a relation between organisational diversity and efficiency but focused very little on why or how organisational diversity might affect organisational performance. It could profitable for researchers and practitioners to investigate the implications of diversity under different circumstances. In understanding cross-cultural interaction and behaviour much has been taken for granted without empirically based studies. Changing the focus of diversity management literature from positive rhetoric to understanding the management of differences – for good or bad - might deepen the superficial interests and sentiments managers have for the discipline. By also investigating the real inherent problems and conflicts found in cultural diverse organisations researchers might contribute to changing the management attitude towards diversity management. One of the areas in need of such a change of perspectives is the argument for embedded knowledge synergies in cultural diversity.

**Knowledge synergies in diverse organisation**

The achievement of knowledge synergies from diverse environments has been one of the most mentioned arguments in the business case for diversity management. Knowledge synergies can be described as development and improvement on creativity, innovation, learning and problem solving through cross fertilisation of knowledge resources (Cox and Blake 1991; Thomas and Ely 1996).

Eisenberger, Fasolo, and Davis-LaMastro (1990) write that cultural diversity can facilitate more differentiated perspectives working with creative assignments. Drawing on a range of international studies Adler (1997) also describes advantages of multicultural teams in regard to knowledge synergies in innovation and creativity.

Sammartino et al. (2001) argue that organisations have become increasingly attentive on the importance of knowledge as a source for competitive advantages. Companies can gain or loose market shares, achieve success or failure dependant on their abilities to be innovative of new products, services, business relations and logistics. This development has led organisations actively to implement strategies and structures that can increase
learning and knowledge management potentials and the management of cultural diversity strategically can be included in such structures (Senge 1990; Tenkasi and Boland 1996; Becker 2001).

Reviewing the knowledge literature, it seems that the issue of learning as giving rise to tensions is a common theme (Bloor 1987; Bloor 1991; Lave and Wenger 1991; Wenger 1999). In this paper knowledge is conceived as being intertwined in negotiation and development of social structures and ‘communities of praxis’ (Brown and Duguid 1991; Brown and Duguid 1998; Wenger 1999; Brown and Duguid 2001). Sharing of knowledge is here viewed as a process where knowledge is created and maintained through human dialogue and interaction, and facilitating competences to act in a given context. Thereby knowledge cannot be disconnected from social systems.

In relation to the results of the Kochan et al (2003) research, two case studies have been conducted in an attempt to understand more about the practice of knowledge sharing and development of knowledge synergies in culturally diverse organisations. The studies set out to answer questions of how cultural diversity was related to the business case arguments through the application of knowledge synergies – how does cross-cultural communication and knowledge sharing apply in an organisation that actually has the opportunity to gain competitive advantages from employing culturally diverse knowledge? The empirical investigation revealed some of the inherent barriers that cultural diverse environments may experience trying to utilise diverse knowledge resources and knowledge synergies.

A certain remark need to be given regarding the following cases. The Diversity management literature covers a range of different categories of diversity – gender, age, culture etc. In other words there seem to be a ‘diversity of diversities’ of categories. In the following two cases, the focus lies on the so-called cultural diversity, referring to different cultural backgrounds. However to be more precise than the concept of culture indicates, we specify that by cultural diversity we refer only to national backgrounds. This assumption or concept of cultural diversity actually removes the concept of culture from practice, exactly because it to a large extent becomes a question of origin – that is away from practice and towards reification. In this study we assume all groups and categorisations are socially constructed and objects for reification (Herzfeld 1993; Taussig 1993).

Knowledge contained and knowledge constrained
Jakob Lauring has generated two cases through ethnographical fieldworks in two different Danish multicultural and international corporations. To gather and generate the
data material, participant observation and interviews were applied as methodological tools (Lauring 2001, 2003).

The two organisations shared a common need for internationalisation and knowledge of markets outside Denmark. In spite of their common needs they developed very different approaches to culturally diverse knowledge as a resource. ‘Dan Foods Saudi’ is a Danish subsidiary in Saudi-Arabia as part of an international Danish corporation. By the time of the fieldwork the subsidiary employed about 500 third country nationals from thirteen different countries, mainly from India, Egypt and the Philippines. Besides that there were about twenty Danish expatriate managers and approximately the same number of Saudi-Arabian employees. All were men. The company was characterised by being the most profitable subsidiary in the corporation.

‘Pharma International Marketing’ is a marketing department in another large international Danish corporation. The department held about 150 highly educated employees, twenty percent having a nationality from outside Denmark. Among the foreign employees one could find both inpatriated employees from the subsidiaries, foreign experts and foreigners with a more steady relation to Denmark through marriage or family (Lauring 2001; Lauring 2001; Lauring 2003).

The first example describes the way knowledge can be contained in a cultural diverse environment while the second shows the constraining of knowledge sharing. Through those examples we want to highlight on the one hand that the knowledge resources are not being applied efficiently compared to the company needs and on the other hand that the management of the companies might have an idea of diverse knowledge resources as being something good but not precisely how or where to use these resources.

In Dan Foods Saudi the group dynamics within the organisation had a great influence on knowledge sharing. The group of Danes developed a very tight and integrated group structure with very intense internal socialisation allowing them a fast and extensive internal knowledge sharing but with hardly any dialogue with other nationalities.

However formally, and in contrast to the actual situation, the Dan Foods Corporation had made a statement on subsidiary policies describing how the firm through sending expatriates to subsidiaries aimed at utilizing the potential in knowledge sharing across cultural boundaries. The cross-cultural interaction was meant to develop international skills such as language and knowledge of the market and business situation. In spite of those general formulations the Saudi-Arabian subsidiary was mainly perceived as a sales company by both the head quarter and the subsidiary itself. The Danish expatriate management was evaluated exclusively on basis of sales targets and market shares.
The evaluation solely on sales targets led the Danes to a strategy of avoiding efficiency retaining conflicts at all costs. Thereby creating and maintaining a tight and closed group allowing them full control of the management situation, also keeping the foreign and equivocal influences at a distance and maintaining a sense of well-known security. They kept their Danish management routines in order to feel at home in the decision making not letting cross-cultural misunderstandings or disagreements slow down the process.

That led the Danish management to establish a sort of national-based hierarchy where in order to be a manager one had to be Danish and to be a supervisor one had to be Egyptian and so on. The Indians were lowest in the hierarchy and worked mainly in the production. Interaction was conducted as one-way communications or orders given from one nationality to another.

The strong internal group socialisation within the different national groups created a certain suspicion between the nationalities, and over time vicious circles of antagonism developed keeping the national groups even further apart. Even the marketing department only employed Danes, which gave them a quite limited knowledge of the needs of their costumers and consumers. Instead the marketing group, contained from outside knowledge, would work deliberately from a trial and error principle. That approach among other incidents caused a large financial loss when a commercial movie, featuring a boy and a girl holding hands, did not fit the Arabian taste and was quickly redrawn.

The Dan Foods Corporation had formulated a need to develop the employees’ international understanding but if international understanding is to include cross-cultural communication skills, tolerance, openness and flexibility the Danes were almost less qualified after being expatriated to the subsidiary. Instead they developed what they themselves termed as a ‘sound scepticism’ that could also be interpreted as ethnocentrism or even racism.

The Danish group exercised a very intensive internal communication, knowledge sharing and socialisation, but the group members also had a very limited contact to other national groups. Therefore the potential knowledge synergies in the cross-cultural communication were never employed. In spite of that the Danish group achieved good sales results and good opportunities for advancement coming back to the parent company. In that way equivocal or unclear corporate goals can draw action in different directions and when internationalisation and cross-cultural learning is not evaluated compared to sales targets the incentives for employees to engage in learning processes
are very limited. This is an example of how knowledge can be contained within a group in a cultural diverse environment, in spite of obvious gains from diverse knowledge, and also of how an organisation has no use of diverse knowledge resources if they are not part of the actual strategy of the company.

In the second example recruitment for cultural diversity and internationalisation came from a need to gain both ‘multi local’ and global knowledge resources. Within the multi local perspective Pharma International Marketing needed local societal, legal and cultural knowledge of their markets and they needed links to their subsidiaries through the knowledge and contacts of the inpatriates, but there was an aim to go even further. Pharma wanted to develop a true global perspective through facilitating knowledge synergies achieving cross-cultural innovation, creativity and learning. First and foremost, through cultural diversity, the management tried to erase the inherent Danish ethnocentrism in the corporation and to develop openness to multiple perspectives on the daily tasks.

In many ways Pharma succeeded in creating a truly multicultural organisational environment. Very few cultural and language barriers affected the work process and very limited social conflicts and national groupings could be observed.

The staff in Pharma International Marketing consisted of very ambitious young people and the organisational culture supported an intensive focus on the personal assignments leaving little time or interest for social activities. Whenever social activities were initiated they would fail due to lack of support from the staff. Nobody would show up to ‘thirst-day’ beers after the first time, the football team only managed to meet once and so on.

It was often mentioned that the gathering of many nationalities in Pharma International Marketing automatically lead to a more formal environment. Due to cultural and language differences, small talk, to a high extent, vanished from the organisation creating less conflicts but also leaving people without a deeper knowledge of each other’s personalities, competences and qualifications. It was often argued there was a need for more knowledge management. It was evident that people’s local knowledge was not employed and many times activities were not coordinated sufficiently and different teams, without knowledge of each other’s work, conducted the same task simultaneously. All in all it proved difficult to utilise the knowledge synergies of the diversity when there was insufficient knowledge of strengths and weaknesses of the team members.
The management achieved a sustained balance in the multicultural environment avoiding greater conflicts but also loosing much of the potential benefits from the cultural diverse knowledge resources and sharing of knowledge was not confined to certain groups of employees but generally *constrained* in the formal environment resulting in lack of knowledge synergies.

In sum the two examples show how social interaction can create barriers for cross-cultural knowledge sharing and that organisations need to work hard and focused to apply knowledge resources to corporate strategies. Knowledge synergies, in other words, cannot be taken for granted in culturally diverse environments.

Sharing of knowledge is said to be promoted when openness and trust exists between employees in an organisation. For knowledge synergies to come to life there has to be the right balance between differences and similarities of people’s knowledge and practice in the community (Goodykunst and Young 1997; Brisling 1981; Brisling 1990). The result of knowledge sharing is restrained if people are too similar to come up with anything new or too different to communicate properly. But apart from the dynamics of the cultural differences themselves other dynamics of group and organisational context also have to be included in the understanding of the relation between diversity and business advantages. This leads us back to the findings of the Kochan (2003) study. The fact that organisation context and group dynamics affects the outcome of diverse knowledge resource highlights the need of a management effort to link diversity among individuals and groups to the strategic development of the organisation.

**Conclusion**

Even though the business case for diversity management cannot be taken for granted we should not too readily dismiss the discipline of diversity management. Diversity is a reality in the labour market of most western countries. That gives organisations a need to understand how and why diversity affects organisational efficiency and innovation – for good or bad.

There is no doubt that diversity management is a difficult and complex managerial discipline. But it is also in many ways a necessary discipline today. If Diversity Management can help managers to rethink the strategies developed for more homogenous organisations it will have done much good. But recognising the positive potential in diversity management does not allow us to take the focus off the more negative implications.
Cross-diversity communication is crucial for a constructive utilisation of diverse knowledge resources but the cross-diversity interaction and learning has potential for conflicts and misunderstandings. Such conflicts can partly be avoided by a general formalisation and differentiation of the whole working environment, keeping social interaction and work apart. Unfortunately it is often in the social negotiations and minor constructive conflicts the potential for innovation, creativity and learning arises. Tight homogenous group structures secure fast communication and an overview of knowledge resources. But that kind of organisational integration often produces personal intrigues and struggles for power and resources that can also restrain the employment of diverse knowledge resources. In that way management of diverse knowledge will be a balance between organisational integration and differentiation. Both can restrain knowledge sharing in a contained or constrained fashion. In organisational diversity the potential for both creativity and conflict is imbedded and they cannot be separated.

The business case argument is not as simple as many researchers, consultants, and practitioners have argued and the bottom line results of organisational diversity are very diverse themselves. There is no doubt that potential gains from organisational diversity can be achieved, but the business case has for long been out of proportion with the empirical findings in the area. No substantial proof that organisational diversity should have a positive influence on the bottom line has been published and we must accept that in some situations the only benefit of diversity management is to avoid or limit the enclosed difficulties in the diverse environments.

That does not mean we have to dismiss diversity management as another superficial management trend. But a more analytical approach must be taken. Both researchers and practitioners need to focus on the actual process of cross-diversity interaction in organisations. Researchers should focus on the conditions that affect interactions across diversity boundaries and practitioners should work on measuring and mapping the positives and negatives of diversity in their organisations. If a constructive approach is to be developed both researchers and practitioners must recognise the need for more in-depth understanding of organisational diversity. Until that progress has been made it might be an advantage to focus less on the business case arguments and maybe even draw on some of the arguments for social responsibility – especially if they, in fact, are the only consistent arguments applied in the organisation.

References


