

# THE CHANGING NATURE OF DIVERSITY IN THE TWENTY-FIRST CENTURY

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*'Diversity and Inclusion': part of the solution or part of the problem for effective organisational leadership in a rapidly globalising world?*

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## INTRODUCTION

After the election of the first African-American president in 2008, one might think that diversity is no longer an issue in the United States. A brief look at the statistics proves that this is a fallacy, however. Women make up more than half of the U.S. population. Currently, there are a record number of women in the U.S. Congress – a meagre 17 per cent. (If this seems low, keep in mind that the Iraqi constitution mandates that its parliament be made up of at least 25 per cent women.) Britain fares only slightly better than the United States. It has about 20 per cent female representation in Parliament. Only 3 per cent of MPs are black or Asian, even though ethnic minorities comprise about 10 per cent of Britain's population. The dearth of women and minority candidates may appear innocuous, but only before we think: what effect is this having on society? Would family-friendly policies or employment equity legislation look different if government representatives themselves had more insight into these issues?

The situation is worse in the private sector. Black CEOs oversee only one per cent of Fortune 500 companies. Fifteen Fortune 500 companies have female CEOs, or 3 per cent. In a recent *Harvard Business Review* study of the 2,000 best performing companies around the globe, women CEOs account for only 1.5 per cent.<sup>1</sup>

To determine whether this is problematic, it is useful to turn to Deborah Spar, a former professor at Harvard Business School and current President of Barnard College, one of the 60-odd female colleges remaining in the United States. She posits that had there been more women in the top ranks of the financial industry, the crisis may have been averted – or, at the very least, tempered – because women tend to be more averse to risk than men.<sup>2</sup> A recent study from Cambridge University supports Spar's claim. Researchers measured testosterone levels in male traders in the City of London and found they were higher when these men made riskier, more profitable trades. Testosterone levels, therefore, correlate with risky behaviour.<sup>3</sup>

The next generation of leaders will inherit the diversity problems of the present. While there may be little we can do to encourage women and minorities to seek office, in other areas – especially at the firm level and in universities – the success and challenges of diversity and inclusion provide valuable lessons. Diversity remains an illusive goal for much of the Western world. As we will see, part of the problem is that the concept itself is changing.

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<sup>1</sup> M. Hansen, H. Ibarra and U. Peyer, 'The Best-Performing CEOs in the World', *Harvard Business Review*, vol. 88 (Jan/Feb 2010), pp. 104-113.

<sup>2</sup> D. Spar, 'Would Women have Helped Avert Wall Street Crash?', *National Public Radio*, 13 September 2009. Available online at: <http://www.npr.org/templates/story/story.php?storyId=112797898>.

<sup>3</sup> A. Smith, 'Successful Traders: The Testosterone Effect', *Time*, 12 January 2009.

## DIVERSITY AT THE FIRM LEVEL

For global business leaders, bringing diversity to the workplace may benefit the bottom line. This line of thinking motivated IBM to create internal task forces focused on the needs and interests of minority groups – including women, Asians, and African Americans. As then-CEO Lou Gerstner explained, ‘We made diversity a market-based issue. It’s about understanding our markets, which are diverse and multicultural’. Indeed, as the world gets smaller – and companies increase their global operations, the diversity of markets will only increase. The case study of IBM proves useful, as the initiative was a business success. IBM realised it could build stronger relationships with multicultural and female-owner businesses, which tend to be of the small and midsize variety. The firm created a Market Development group, which focused on strategies for these businesses and increased revenues by almost US\$300 million in four years.<sup>4</sup>

On the flip side, diversity programmes can also cost the company. Thomas Kochan, a professor at MIT’s Sloan School of Management, found that despite the multi-billion dollar industry devoted to management and promoting diversity in the workplace, there are no positive or negative effects of race and gender diversity on business performance.<sup>5</sup>

This study raises a separate question, however. Should business leaders think about diversity solely in terms of cost-benefit analysis? While the obvious answer may be no, explaining this to a board of directors or group of shareholders proves more difficult. Here, it is useful to draw on the unquantifiable effects of diversity strategies, which provide an opportunity to engage employees and show them that senior management values their concerns. This is why IBM included a working group for white men, which focused on issues such as aging and work/life balance. IBM’s experience is noteworthy because of the time and effort that went into organising it, as well as the buy-in from management all the way up to the CEO. As one task force participant commented:

What got me to trust that this was a real commitment ... was when I saw them ask for our advice, engage us in dialogue, and then take action. They didn’t do whatever we said, but the rationale for actions was always shared. It made me feel like our opinions were respected as businesspeople who bring a particular perspective to business challenges.<sup>6</sup>

There is another, harder lesson to take away from the experience of diversity programmes in the private sector, however. They can fail, and sometimes with disastrous consequences. Off the shelf, untailored programmes add little value to the company, and, indeed, can damage morale of employees from all backgrounds. Even well intentioned

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<sup>4</sup> D. Thomas, ‘Diversity as Strategy’, *Harvard Business Review*, vol. 82 (Sep 2004), pp. 98-108.

<sup>5</sup> F. Hansen, ‘Diversity’s Business Case Doesn’t Add Up’, *Workforce*, vol. 82 (Apr 2003), p. 28.

<sup>6</sup> Thomas, p. 106.

programmes can produce horrendous results. Just take the case of the Xerox Corporation, which continuously wins awards and recognition for its recruitment policy and commitment to supplier diversity.<sup>7</sup> In 2002, the company faced a number of discrimination lawsuits, including one stemming from an incident where employees hanged several African-American dolls in the workplace.<sup>8</sup>

Yet, even in the midst of turmoil, Xerox did not renounce its dedication to diversity. In fact, the company's most recent CEO is Ursula Burns, who has the distinction of being the first African American woman to lead a Fortune 500 company *and* the first female CEO to succeed another woman.<sup>9</sup> The previous CEO, Anne Mulcahy, saved the company from bankruptcy and restored profitability. Indeed, *Chief Executive* magazine named her the 'CEO of the Year' for 2008. She was the first woman to receive this distinction.<sup>10</sup>

### DIVERSITY IN EDUCATION

One place where diversity programmes have made significant inroads is in the academy. Student and faculty leaders alike have helped diversity and inclusion gain traction in the United States and Britain. The U.S. Supreme Court found, in a 2003 ruling, that it is constitutional and appropriate for universities 'to further a compelling interest in obtaining the educational benefits that flow from a diverse student body' after deliberating on separate high-profile cases about affirmative action policies.<sup>11</sup> In 1989, Cambridge University students and colleges collaborated to form the Group to Encourage Ethnic Minority Applications, which holds events and raises awareness to 'ensure that talented U.K. black and minority ethnic students [are] not deterred from applying to the University'.<sup>12</sup> In 20 years, it increased the number of ethnic minority students from 5.5 per cent to 15.5 per cent.<sup>13</sup>

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<sup>7</sup> See Xerox's website at: <http://www.xerox.com/about-xerox/citizenship/supplier-diversity/awards/enus.html>.

<sup>8</sup> Hansen, 'Diversity's Business Case Doesn't Add Up', p. 30.

<sup>9</sup> N. Byrnes and R. Crockett, 'Ursula Burns: An Historic Succession at Xerox', *Businessweek*, 28 May 2009, pp. 1-3.

<sup>10</sup> 'CEO of the Year 2008', *Chief Executive*, 3 June 2008.

<sup>11</sup> 'Narrow use of affirmative action preserved in college admissions', *CNN.com*, 26 December 2003. The article quotes from Supreme Court cases *Grutter v. Bollinger* (case no. 02-0241) involving the University of Michigan's law school; and *Gratz v. Bollinger* (no. 02-0516) involving the university's undergraduate programme.

<sup>12</sup> See University of Cambridge GEEMA website at: <http://www.cam.ac.uk/admissions/undergraduate/geema/>.

<sup>13</sup> D. MacLeod, 'Oxbridge universities fail to enroll ethnic minority students', *Guardian*, 12 March 2009. Available online at: <http://www.guardian.co.uk/education/2009/mar/12/oxford-ethnic-minority>.

But what kind of diversity does this achieve? The answer may not be as straightforward as it seems. As William Deresiewicz, a former associate professor of English at Yale University, points out, graduates from elite schools are actually becoming increasingly homogenous, with diversity relegated entirely to ethnicity and race. He writes:

Visit any elite campus ... and you can thrill to the heartwarming spectacle of the children of white businesspeople and professionals studying and playing alongside the children of black, Asian, and Latino businesspeople and professionals. At the same time, because these schools tend to cultivate liberal attitudes, they leave their students in the paradoxical position of wanting to advocate on behalf of the working class while being unable to hold a simple conversation with anyone in it.<sup>14</sup>

If this is indeed true, then organisational leaders have a problem. In a business, employees that appear diverse on a superficial level, and yet who have all attended Ivy League universities in America or Oxbridge in the United Kingdom, may not necessarily bring about a breadth of perspectives and opinions. At the very least, Deresiewicz's argument suggests that 'diversity' should be examined on a more atomistic level.

While universities may have drawn attention to promoting racial diversity, and women actually constitute a majority of college attendees and graduates, there has been much less of a focus on class inequality. In response to a 2008 study published by the Higher Education Policy Institute calling for British universities to pool their funds and support those colleges with the most working class students, Cambridge's Vice-Chancellor Alison Richard argued that universities should educate, not 'fix problems of social mobility'.<sup>15</sup> This attitude may explain why minority students now make up 15 per cent of Cambridge's undergraduate students, and yet only 3 per cent of the student body come from disadvantaged areas.<sup>16</sup>

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<sup>14</sup> W. Deresiewicz, 'The Disadvantages of an Elite Education', *American Scholar* (summer 2008). Available online at: <http://www.theamericanscholar.org/the-disadvantages-of-an-elite-education/>.

<sup>15</sup> G. Paton, 'Oxford University: We cannot take more working class students', *Telegraph*, 17 September 2008. Available online at: <http://www.telegraph.co.uk/education/2976099/Oxford-University-We-cannot-take-more-working-class-students.html>.

<sup>16</sup> R. Williams, 'Elite universities still struggling to boost underprivileged intake,' *Guardian*, 15 April 2010. Available online at: <http://www.guardian.co.uk/education/2010/apr/15/elite-universities-underprivileged-intake-struggle>.

## CONCLUSION

The debates currently taking place in academia will likely spill over into other industries in the twenty-first century, as diversity expands from a concern with gender and race to include class issues as well. The simple fact is that income inequality is rising around the world. A recent OECD report cites that the gap between the rich and poor segments of the population has grown in more than 75 per cent of OECD countries over the past 20 years. In Canada, Germany, and the United States, there has also been an increase in the gap between the rich and middle-class.<sup>17</sup> Thus, while leaders need to continue to increase the presence of women and minorities in their fields, they must be under no illusions that this ‘solves’ the diversity problem.

Just as ethnic diversity has proven to have economic advantages, bringing in those from impoverished backgrounds will likely be beneficial. If more women in finance could have potentially prevented the financial meltdown, imagine the effect of a person whose family or neighbours knew real economic hardship.

Xerox appears to have caught on to this. Ursula Burns was brought up by her single mother in New York City’s housing projects, and considers herself a no-nonsense New Yorker – the perfect type of person to run a US\$17.6 billion-a-year business. She also provides insight into another important issue to remember: the success of diversity programmes depends on the candidates recruited. As she says:

Did I get some opportunities early in my career because of my race and gender? Probably ... I went to work for a company that was openly seeking to diversity its workforce. So, I imagine race and gender got the hiring guys’ attention. And then the rest was really up to me.<sup>18</sup>

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<sup>17</sup> OECD, *Growing Unequal? Income Distribution and Poverty in OECD Countries*, October 2008. Available online at: [http://www.oecd.org/document/53/0,3343,en\\_2649\\_33933\\_41460917\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/53/0,3343,en_2649_33933_41460917_1_1_1_1,00.html).

<sup>18</sup> Byrnes and Crockett, p. 3.

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