

**Training for Business Success:  
Does Diversity Training Improve Productivity, Performance, and Fair Promotions?**

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Abstract for

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There is a great deal of pessimism about the impact of diversity. Some critics have declared that diversity training programs do not work. Using data from the 2002 National Organizations Survey, this paper offers an examination of the relationship between the presence of diversity management and training in business organizations and assessments of business performance, business productivity, and fairness in the job promotion processes. The results suggest that, even after taking into account the size of the organization, the age of the organization, the percentage of workers who were minority, the percentage of workers who were female, and whether the organization was a private corporation, companies that have diversity training are more likely than are their counterparts without diversity training programs to report higher productivity than their competitors. Similarly, business organizations with diversity training programs are more likely than are other business organizations to report better business performance than their competitors. Also, companies with diversity training are more likely than are companies without diversity training programs to report that their employees believe procedures for determining promotions are fair. Such results go a long way toward dispelling the notion that diversity training programs do not matter. They show that diversity training programs can lead to positive outcomes.

## **Training for Business Success: Does Diversity Training Improve Productivity, Performance, and Fair Promotions?**

Diversity as a business necessity has taken on a life of its own (Metzler, 2003). Many companies have crafted broad business cases, created diversity leadership teams, and started diversity initiatives. These efforts, however, have had varying amounts of success. Some organizations and companies introduced programs aimed at addressing workplace diversity in the early 1990s. But many of these efforts failed to move beyond a “political correctness” agenda and, in many cases, had negative outcomes among workforce members. Failure to truly link diversity efforts to core organizational management issues proved to cast diversity programs as special ventures outside of central management concerns (Lewis, 1998).

Diversity as a business enhancement tool is relatively new. There is a steep learning curve, and like other long-term efforts to bring about change, there are considerable challenges, pitfalls, and problems (Metzler, 2003). So, despite a growing body of work that documents that diversity pays (e.g., Herring, forthcoming; Richard, 2000; Goncalo and Staw, 2006; Ely and Thomas, 2001; Chicago United, 2005; and van der Vegt, Bunderson, and Oosterhof, 2006), there is a great deal of pessimism about the impact of diversity. In part, because of the varying degrees of success, some have raised questions about whether diversity matters. Critics are skeptical about the benefits of diversity (e.g., Skerry, 2002; Rothman, Lipset, and Nevitte, 2003a; Rothman, Lipset, and Nevitte, 2003b; Tsui, Egan, and O'Reilly, 1992; and Whitaker, 1996). They believe that proponents of diversity efforts too often overlook the major costs of diversity. For example, Skerry (2002) points out that research consistently finds that, in terms of intergroup relations, racial and ethnic diversity are linked with conflict, particularly

conflict among co-workers. Tsui, Egan, and O'Reilly (1992) found that, at times, diversity can decrease the cohesiveness of work groups. It can also result in higher rates of employee absence and turnover. There is also the suggestion that more diversity is associated with inferior quality because it gives positions to less qualified people or puts people in jobs for which they are not prepared nor suited (Rothman, Lipset, and Nevitte, 2003). Finally, Williams and O'Reilly (1998) put forward the idea that diversity is more likely to hinder rather than enhance group functioning. In short, critics of diversity suggest that group differences result in group conflict and its attendant costs. As a consequence, skeptics have questioned the true impact of diversity training programs on business organizations. Indeed, some critics have gone as far as to declare that diversity training programs do not work (Van Kerckhove, 2007). Thus, one can legitimately question what effect, if any, diversity management has on assessments of business performance, assessments of business productivity, and assessments of fairness in the job promotion process?

Using data from the 2002 National Organizations Survey, this paper offers an examination of the relationship between the presence of diversity management and training in business organizations and assessments of business performance, business productivity, and fairness in the job promotion processes.

### **Diversity Training and Managing Diversity**

Diversity training usually focuses on “managing diversity”—i.e., how relationships among different people can be improved and understood to better the organization as a whole (Roosevelt, 1991). It is more than just an acquired skill. It involves creating an environment that allows all employees to contribute to organizational goals and to

experience personal growth. The key is to help employees reach their full potential by creating an environment that will allow them to be motivated, productive, and beneficial for the organization.

Today, diversity training has become an important administrative function in companies seeking to respond to change. New government legislation and demographic changes in the available labor pool have led large organizations to include women and people of color and to reconcile intergroup tensions.

Diversity trainers use their expertise in conflict resolution, in preparing organizations for increases in racial, ethnic, cultural, and gender diversity, to prepare employees for international work, to safeguard against harassment and unfair employment lawsuits, to take advantage of employee diversity to increase productivity, in order to conduct cultural audits, to manage sexual attraction and romantic relationships in the workplace, and to develop competencies needed to exploit the international marketplace. It is conceivable, however, that diversity training can cause more harm than good to an organization or its individual employees.

Organizations managing successful diversity initiatives conduct diversity training. Such training can vary greatly. Some critics see diversity training as little more than “political correctness” and a feel-good activity that does little to expose behaviors and issues related to oppression and discrimination at the individual, interpersonal, group and organizational levels. At its best, however, diversity training programs should help participants understand themselves and others, and to build skills to address issues that are sometimes uncomfortable. Diversity training should not humiliate nor shame people into acting. Rather, through a well-designed methodology, it should allow them to

understand the fundamental flaws of oppressive behavior for themselves and those who are oppressed. Such interventions, when correctly structured, are initiatives aimed at improving organizational effectiveness and efficiency. They seek to identify and implement diversity efforts which will improve the organization and create management accountability for diversity issues. A variety of interventions can be introduced to include human resource, strategic planning, and management initiatives. Human resource interventions may involve revising position descriptions, reviewing job application processes, or adjusting job evaluation systems.

According to Collins and Herring (2008), incorporating diversity within the workplace involves more than internal policy changes. It also involves an ideological shift in the acceptance of a diverse workforce. It is essential that employers are willing to establish their work environments in ways that allow their employees to exercise their true talents, contribute to the goals of the organization, and maximize their personal potential as workers.

The role of incorporating and maintaining a diverse workplace requires employers to expand their ability to enhance the relationships between individuals from different cultural, political, and racial backgrounds. Understanding how employers manage diversity is significant. Given the aggravation that many employees feel about affirmative action—this includes both those with positive and negative feelings towards affirmative action—and the cultural climate that makes it possible for employees to express pride in their race and cultural beliefs, it is essential that within a global economy, organizations effectively manage diversity (Roosevelt, 1991).

There are two basic assumptions that underlie the notion that organizations must effectively manage diversity. First, when organizations effectively manage diversity, this truly provides an economic and competitive edge in the marketplace. Second, if individuals remain resistant to the idea of a diverse workforce, this can lead to breakdowns in group cohesion and productivity. Therefore, the effective management of workplace diversity should lead to greater tolerance, productivity, and an increase in overall organizational profitability (Collins and Herring, 2008).

### **Does Employee Targeted Diversity Training Really Work?**

Given the multiple benefits of having an integrated, well-run and diverse workplace, employers should be flocking towards enhancing their diversity (Williams and O'Reilly, 1998; and Florida and Gates, 2001; 2002). It appears to be common knowledge within mainstream businesses that increasing diversity is good for the overall profitability of companies (Ryan, Hawdon, and Branick, 2002). Still, companies must figure out ways to effectively manage diversity inasmuch as research continues to support the notion that racial and ethnic diversity are associated with higher rates of conflict between employees, greater reports of employee absenteeism, and reduced group functioning (Skerry, 2002, Tsui, Edan, and O'Reilly 1992, Williams and O'Reilly 1998, and Collins and Herring). Overall, critics who are critical of theories that suggest that workplace diversity is positively related to economic profitability continue to remain skeptical that diversity initiatives have any real, positive impact on creating or maintaining on the economic performance of business organizations.

Often, those who provide diversity training help their organizations by initially preparing them for shifting proportions in the racial, cultural, and gender climate of their

companies. They then use their expertise to help employers protect themselves against lawsuits and harassment (Collins and Herring, 2008). These efforts guard against liabilities that would serve to deplete profits. Still, despite good intentions, diversity training can have negative consequences. For example, if diversity training programs are poorly managed or if their trainers are poorly prepared, such efforts can lead to emotional distress or inadvertently increase racial and ethnic stereotypes. This could leave both employers and employees with a strong distaste for increasing diversity.

But it is also quite possible that diversity training programs can lead to positive outcomes. They may lead to productivity gains because they bring talented people together to work more effectively and productively. Such training programs may also lead co-workers to appreciate the efforts of others who differ from themselves who, nevertheless, make contributions to the organization. Such efforts may also help employees better understand how and why various contributions to an organizational effort are to be rewarded.

So, what effect, if any, does diversity management have on assessments of business performance, assessments of business productivity, and assessments of fairness in the job promotion process? Before addressing this question empirically, we provide a brief description of the data and methods used in this study.

## **Data and Methods**

### Data Sources

The data used in the analysis come from the 2002-2003 National Organizations Survey (NOS). The 2002-2003 NOS is a “survey of business organizations across the United States in which the unit of analysis is the actual workplace. The study was conducted for the National Science Foundation (NSF), the National Institute of

Occupational Safety and Health (NIOSH), and the Commonwealth Fund, to learn about the employment policies, benefits, and structures of organizations throughout the country . . .” As part of the 2002-2003 General Social Survey, “half of all household respondents were asked to provide contact information for their place of employment including business name, address, and telephone number.” The resulting sample consists of 516 establishments that are representative of U.S. profit-making and nonprofit work organizations. These organizations were contacted between October of 2002 and May of 2003 and asked about their employment policies, workforce, formal structure, social demography, and related issues.

#### Operationalizations

Responses to other questions in the National Organizations Survey were used to measure various variables. The central independent variable for the analysis is whether the organization offered diversity training. The key dependent variables included assessments of business performance, assessments of business productivity, and assessments of fairness in the job promotion process. The operationalizations of these key variables is presented below.

Diversity Training. In order to determine whether companies offered diversity training, representatives of the organization were asked the following question: “Is there a diversity training program for managers at (ESTABLISHMENT NAME)?” Those who said yes were coded 1, and others were coded 0.

Three Outcomes: Assessments of business performance, assessments of business productivity, and assessments of fairness in the job promotion process. In order to measure assessments of business performance, representatives from business

organizations were asked: "I now want to ask you how your establishment is currently performing compared with other establishments doing the same kind of work that you do. How would you assess your establishment's financial performance? Is it a lot better than average, better than average, about average for establishments doing this kind of work, below average, or a lot below average?" Responses were coded (1) A lot below average, (2) Below average, (3) About average for this kind of work, (4) Better than average, and (5) A lot better than average.

To measure assessments of business productivity, representatives from business organizations were asked: "How would you assess your establishment's labor productivity? Is it a lot better than average, better than average, about average for establishments doing this kind of work, below average, or a lot below average?" Responses were coded (1) A lot below average, (2) Below average, (3) About average for this kind of work, (4) Better than average, and (5) A lot better than average.

Finally, in order to assess the company's fairness in the job promotion process, representatives from business organizations were asked: "Would your employees strongly disagree, disagree, neither disagree nor agree, agree, or strongly agree that promotions are handled fairly?" Responses were coded: (1) strongly disagree, (2) disagree, (3) neither disagree nor agree, (4) agree, and (5) strongly agree.

Additional Variables. In addition to the variables described above, we included measures of the size of the organization, the age of the organization, the percentage of workers who were minority, the percentage of workers who were female, and whether the legal form of the organization was a private corporation with privately held stock

(yes=1; no=0). These additional variables were included in the multivariate analysis as statistical controls.

### **Results**

What effect, if any, does diversity training have on assessments of business performance, assessments of business productivity, and assessments of fairness in the job promotion process? Figure 1 shows that companies that have diversity training (68%) are more likely than are other companies (57%) to report higher productivity than their competitors ( $p < .05$ ). Similarly, business organizations with diversity training programs (49%) are more likely than are other business organizations (41%) to report better business performance than their competitors ( $p < .1$ ). Finally, this chart shows that companies with diversity training (76%) are more likely than are companies without diversity training programs (67%) to report that their employees believe procedures for determining promotions are fair and equitable ( $p < .05$ ).

(Figure 1 About Here)

The results in Figure 1 suggest that diversity training programs are associated with such positive outcomes as enhanced business performance, greater business productivity, and assessments of fairness in the job promotion process. These statistics, however, do not provide much information about the net impact of diversity training on assessments of business performance, productivity, nor the promotion process of organizations. In order to address this issue more rigorously, Table 1 presents the results from multivariate analysis that show the relationship between the presence of diversity training programs in firms and assessments of business performance, business productivity, and fairness in the job promotion process. Model I shows that, net

of the size of the organization, the age of the organization, the percentage of workers who were minority, the percentage of workers who were female, and whether the organization was a private corporation, on average, organizations with diversity training programs were more likely than those without such diversity training programs to report that they performed better than their competition ( $p < .05$ ). Similarly, Model II shows that, after controlling for the size of the organization, the age of the organization, the percentage of workers who were minority, the percentage of workers who were female, and whether the organization was a private corporation, on average, organizations with diversity training programs were more likely than those without such diversity training programs to report that they had higher productivity than their competition ( $p < .05$ ). And finally, Model III shows that, after taking into consideration the other factors, companies with diversity training are more likely than are companies without diversity training programs to report that their employees believe procedures for determining promotions are fair and equitable ( $p < .05$ ). These results suggest that even after taking other factors into consideration, diversity training programs are associated with such positive outcomes as enhanced business performance, greater business productivity, and assessments of fairness in the job promotion process.

(Table 1 About Here)

### **Summary and Conclusions**

This paper began with an overview of some of the debates about the nature and effectiveness of diversity training programs. It put forward the proposition that there is a great deal of pessimism about the impact of diversity because of the varying degrees of success in implementing diversity initiative. Some skeptics have raised questions about

whether diversity matters. Moreover, some critics have argued that diversity training programs do not work. Using data from the 2002 National Organizations Survey, this paper offered an empirical examination of the relationship between the presence of diversity management and training in business organizations and assessments of business performance, business productivity, and fairness in the job promotion processes. These results from multivariate statistical analysis suggest that even after taking other factors into consideration, diversity training programs are associated with such positive outcomes as enhanced business performance, greater business productivity, and assessments of fairness in the job promotion process. Such results go a long way toward dispelling the notion that diversity training programs do not matter.

This study shows that diversity training programs can lead to positive outcomes. They may increase productivity because they bring diverse people together who differ in the talents that they bring to the workplace. Diversity training may enable such people together to work more effectively and productively. Training programs may also lead employees to appreciate the efforts of their co-workers who make different kinds of contributions to the organization. Such efforts may also help employees better understand how and why various contributions to an organizational effort are to be rewarded and, therefore, to have a better sense of how promotions in the company work and why they are fair and equitable. Future research will need to examine the dynamics that lead diversity training programs to generate such positive outcomes as enhanced business performance, greater business productivity, and assessments of fairness in the job promotion process. New research will also need to explore other outcomes that grow out of diversity training programs.

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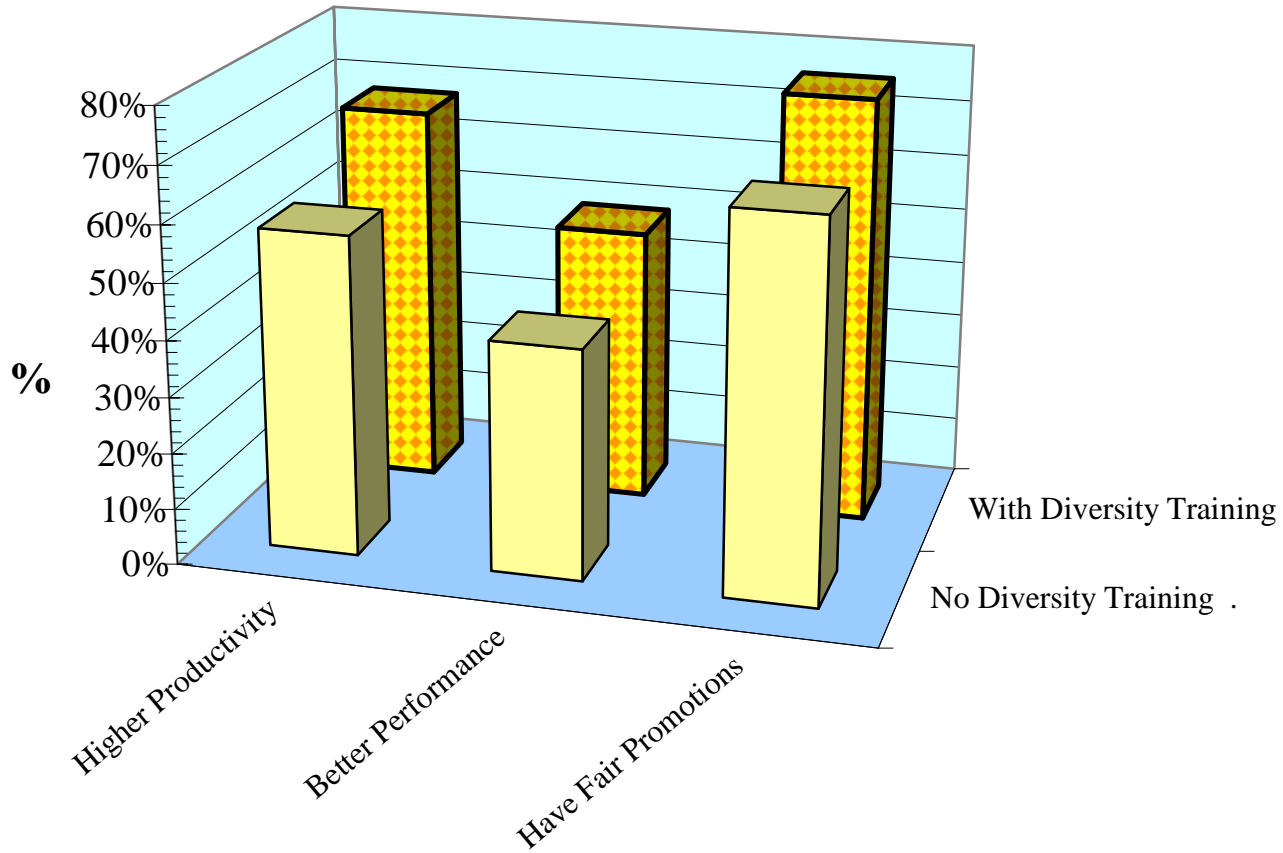
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**Figure 1:  
Percentage of Firms with Higher Productivity, Better Business Performance,  
and Fair Promotions by Presence of Diversity Training Programs**



	Higher Productivity	Better Performance	Have Fair Promotions
No Diversity Training .	57.0%	41.0%	67.0%
With Diversity Training	68.0%	49.0%	76.0%

**Table 1: Regression Models Predicting the Relationship Between Diversity Training Programs and Assessments of Business Performance, Business Productivity, and Fairness in the Job Promotion Process**

<b>Independent Variables</b>	<b>Model I Better Performance</b>	<b>Model II Higher Productivity</b>	<b>Model III Fair Promotions</b>
<b>Diversity Training Program</b>	0.259 **	0.171 **	0.082 **
<b>Establishment Size</b>	0.000	0.000	0.000
<b>Company Age</b>	0.001 *	0.001	-0.002 **
<b>Privately Held Corporation</b>	0.066	-0.071	0.038
<b>Percent Minority Employees</b>	-0.001	0.000	0.000
<b>Percent Female Employees</b>	0.001	0.000	0.004 *
<b>Constant</b>	3.324 ***	3.767 ***	3.759 ***
<b>R<sup>2</sup> Analog</b>	0.035 **	0.016 *	0.023 **
<b>N</b>	384	396	365

\* p < .1

\*\* p < .05

\*\*\* p < .01

<sup>a</sup>Coefficients are unstandardized. For the dummy (binary) variable coefficients, significance levels refer to the difference between the omitted dummy variable category and the coefficient for the given category.

<sup>b</sup>The R<sup>2</sup> Analog statistic is the proportion of reduction in a baseline model X<sup>2</sup> (a model fitting only the constant term) attributable to the model shown. It is calculated as follows:

$$R^2 = (\text{Baseline model } X^2 - \text{Selected model } X^2) / \text{Baseline model } X^2.$$