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Understanding The Impact Of Human Resource Diversity Practices On Firm Performance*

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The recent business trends of globalization and increasing inter-group differences has turned scholarly attention to the management of demographic differences. According to Clinton's Initiative on Race, one of every three Americans in the overall United States population are non-white. Johnston and Packer (1987) identify the integration of women and minorities into the workforce as one of the greatest challenges facing American managers. For example, managing diversity is a long-run investment, and an organization faces a level of adaptation and transformation equivalent to that encountered during deregulation or a major technological change (McEnrue, 1993). However, despite these trends, research related to diversity practice's impact on organizational performance remains lacking. Workforce di-

versity has been depicted as a field absent a theoretical foundation (Ragins, 1995).

To address theoretical abyss, this article explores the organizational attributes supporting diversity using Strategic Human Resource Management Theory (SHRM). SHRM theory explores the relationship between HR policies and practices and organizational outcomes. Practices such as the composition of the human capital resource pool are examined for their effectiveness against the backdrop of business strategy, human resource strategy, environmental certainty, and organizational outcomes (Wright and McMahon, 1992).

Our desire is to develop a model that explicitly illustrates the complexities of diversity initiatives. More precisely, we argue that diversity depends upon human resource policies that

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are judged and evaluated by employees in a context dependent upon organizational justice perceptions. Further, based upon the environment, business, and human resource strategies we explain the intricacies that lead to diversity initiatives effectiveness and show that diversity may be more advantageous for some firms relative to others.

This article will first describe strategic human resource management and configurational theory as the framework for examining diversity. We then introduce the concept of diversity orientation and its implications for diversity. From there, the diversity/performance relationship is explored in conjunction with internal and external contingencies. Finally, we conclude with implications for research and practice.

THEORETICAL BACKGROUND

In recent years, the field of Human Resource Management has moved to consider not only micro but also macro relationships (Butler *et al.*, 1991). The micro focus, evolving from industrial psychology (Kaufman, 1993), emphasized human resource policies and their influence on individuals. This focus was concerned exclusively with such outcomes as job satisfaction and employee participation. The macro focus shifts the level of analysis from the individual to the organization. This macro orientation stresses how HR policies shape individual behavior that ultimately affects organizational-level outcomes such as profits, sales, quality, and growth.

Wright and McMahan (1992) argue that this macro-orientation, Strategic Human Resource Management (SHRM), facilitates organizations in achieving their goals through human

resources. Kamoche (1996) dubs this orientation as the "matching school" and argues that human resource policies and practices that fit with the business strategies of the firm enhance firm effectiveness. In other words, firms seek to align human resource strategy with business strategy. SHRM initially followed a simple contingency approach that examined the match of HR practices and strategy (Miles and Snow, 1984; Schuler and Jackson, 1987). This view examines only vertical fit, which refers to the congruence between a single HR policy and practice and other organizational characteristics (Delery and Doty, 1996).

Recent work has extended the simple contingency view to a configurational perspective. This perspective contends that internally consistent policies and practices should result in even higher levels of performance than individual policies and practices when matched with business strategy (Dyer and Reeves, 1995; Delery and Doty, 1996). Configurational theory represents a holistic stance to SHRM by adding a horizontal dimension across "bundles" of HR practices. Not only must the policies and practices vertically fit with strategy, they must work together to reinforce one another (i.e., horizontal fit).

Dyer and Reeves (1995) argue that the logic for bundling or horizontal alignment of HR policies and practices emanates from the fact that employee performance stems from ability and motivation. Thus, HR practices should ideally enhance both. Further, deliberate redundancies of independent practices enhance employee skill acquisition and their understanding of the goals and objectives of the organization (Dyer and Reeves, 1995; MacDuffie, 1995).

Although researchers have made strong theoretical arguments for bundling human resource practices, conceptualization and measurement of a configuration remains inconsistent and problematic (Becker and Gerhart, 1996; Dyer and Reeves, 1995). Becker and Gerhart (1996) state that researchers appear relatively simplistic in their empirical examination of fit. Configurational theory adds another dimension of complexity beyond individual contingencies. Doty *et al.* (1993) argue that firm practices should contrast against an ideal form of a configuration rather than simply grouped into categories. Those that group firms into typological categories are theoretically treating marginal firms (those firms that barely fit with the categories) as effective as those firms closely matching the ideal. Thus, specification of the ideal form of a diversity configuration is critical. Hence, our approach uses configurational theory to theoretically articulate a diversity configuration (i.e., horizontal fit among diversity practices) which we dub a diversity orientation. We then specify its relationship among environment, organizational strategy, and human resource strategy (i.e., vertical fit) with firm performance

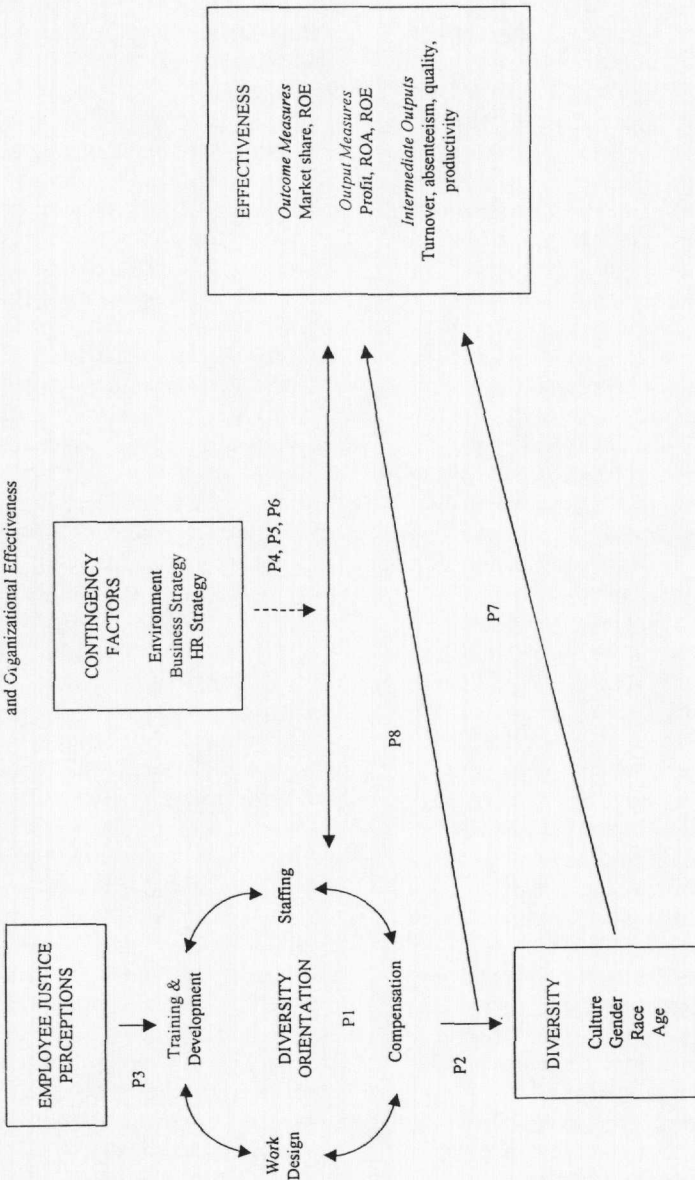
DIVERSITY ORIENTATION: A CONFIGURATIONAL VIEW

Figure I illustrates the proposed relationship between diversity and organizational performance. (Note that the P values correspond to propositions developed later in the paper.) Milliken and Martins (1996) point out that the word diversity, although often emotionally charged, simply means "variety" and the degree that things differ. Thus, diversity manage-

ment implies the ability to manage heterogeneous groups. Our model first proposes the concept of diversity orientation that represents a configuration of diversity practices that are designed to move the organization towards a heterogeneous population that becomes a vital, integral part of the organization. Diversity becomes a significant organizational objective and diversity management becomes particularly salient because of the natural tendency toward homogeneity in organizations. Schneider's (1987) Attraction-Selection-Attrition hypothesis (ASA) suggests that organizations tend to attract, hire, and retain similar types of people. This natural "tendency to drive out diversity" implies that organizations desiring diversity must proactively develop mechanisms to ensure organizational heterogeneity (Milliken and Martins, 1996; Schneider, 1987). Thus, a diversity orientation serves as such a mechanism and should lead to increased diversity.

The model then suggests that diversity affects firm effectiveness depending upon business and human resource strategy, as well as the environment. Diversity represents bringing different backgrounds, cultures, and generations into the same organization. This variety of perspectives can foster creativity. On the other hand, this variety of perspectives generates inefficiencies in that diverse groups lack a shared understanding, potentially making communication slow and laborious. Thus, we propose that environments and strategies that demand innovation and creative solutions will benefit more from diversity than those environments that require efficiency. Thus, organizational effectiveness depends upon the level of diversity being matched with the

Figure 1
Theoretical Model of the Relationship Between Diversity Orientation
and Organizational Effectiveness



Note: The P values correspond to the propositions in the text.

organization's environment and strategy.

Diversity Orientation

Diversity orientation represents an integration of human resource policies and practices that combine into a "bundle" that directs the organization towards diversity and diversity management. This bundle will include promoting diversity through training and development, work design, staffing, and compensation programs. Simply one or two activities in support of diversity fails to constitute a diversity orientation. Rather, these activities must work together and reinforce one another. Further, a diversity orientation means that other policy-related decisions consider diversity implications in the decision process.

Key elements of a diversity orientation are highlighted in Table 1 and contrasted with identity-blind structures. Identity-blind structures are formalized HRM processes that ensure the same decision-making process for each individual (Konrad and Linnehan, 1995). A diversity orientation culture considers diversity a valuable organizational asset. In contrast, an identity-blind structure views dealing with diversity a necessary human resource function to avoid undesirable legal and social consequences of discrimination. Where a diversity orientation takes a pluralistic view and accepts and embraces various cultures, an identity-blind environment expects minority employees to assimilate the norms of the majority. Identity-blind structures tend to view HR policies and practices individually and separately against a backdrop of their legal and social implications. In contrast, a diversity ori-

entation explicitly considers the interaction of human resource policies and evaluates them based on their diversity effects. The above influences suggest that employees of an organization with a diversity orientation see diversity as a fundamental part of the organization. On the other hand, employees of an identity-blind organization most likely avoid even mentioning diversity. Thus, a diversity orientation results in a diverse culture where employees embrace their differences and use them to enhance organizational effectiveness through creativity and innovation. In contrast, identity-blind structures likely yield lower diversity levels. What diversity exists in such an environment, management will likely suppress rather than accept and leverage to organizational advantage.

Our model assumes that diversity policies indeed relate to diversity. Konrad and Linnehan's (1995) research provides compelling evidence that supports this effect. Policy, however, goes beyond formal programs to incorporate organizational influence (Nemetz and Christensen, 1996). Organizational influence sends a signal to employees about the meaning and interpretation of these general policies. Whether employees believe diversity programs have significance or are a ruse to pacify affirmative action demands depends upon employee perceptions of management's seriousness in policy implementation. Consequently, diversity policy provides the baseline for interpreting and understanding the specifics of diversity practice. For this article's purposes, we include the four prominent dimensions identified in previous literature: training and development, work design, staffing, and compensation intervention policy (Barry and

Table 1
A Comparison of Elements of a Diversity Orientation
Relative to an Identity-Blind Approach to Diversity

Organizational Feature	Diversity Orientation	Identity-Blind
Organization Culture	Diversity is viewed as an organizational objective. The organization values diversity.	Diversity is viewed as a problem to be reconciled (moral, political, legal and labor market).
Acculturation Process	Pluralism: inclusive and accepting of all cultures.	Assimilation: adopt norms of the majority.
Human Resource Policies	Diversity policies are considered holistically. HR policies evaluated based upon their effects on diversity and performance.	Diversity policies are considered individually and sequentially. HR policy formulation does not consider diversity implications.
Employees	Diversity is understood as an organizational goal. Employees are evaluated and appraised based upon diversity objectives.	Diversity is not discussed. Workers are evaluated with respect to their individual merit.
Results	Organization more diverse and diversity enhances performance.	Organization less diverse. Diversity hinders performance.

Bateman, 1996). These dimensions also represent the central functional areas of human resource management. Thus, all of these elements must work in concert under the larger umbrella of diversity policy to maximize their effectiveness. This continuous reinforcement leads to a diversity orientation that exists as a configuration.

One reason that configurations remain crucial for fostering diversity is based upon a notion termed "social traps" (Barry and Bateman, 1996) or social dilemmas (Schneider and Northcraft, 1999). These traps arise when an attempt to address a problem further exacerbates the problem through unintended consequences. For example, a work/family program designed to provide flexibility to employees could lead to potential negative performance evaluations for those employees who avail themselves of the program. Likewise, an affirmative action program may create a social trap through resentment from white males who feel procedural injustice (Richard and Kirby, 1997).

A diversity orientation mitigates the social trap problem by creating an environment where clear, unambiguous signals are sent regarding diversity. For example, organizations may avoid an affirmative action social trap by combining it with diversity training that incorporates strategies to fully integrate all employees into the organizational culture. Training can create an awareness of these traps and provide strategies for addressing the underlying issues (Barry and Bateman, 1996). Compensation and work design issues may also help avoid social traps. The unequal distribution of work or rewards fosters an individual orientation and contributes to people working competitively rather than co-

operatively. Thus, work design in support of diversity would tend towards symmetry in employee contributions and outcomes. Further, Barry and Bateman (1996) argue that dispersed control enhances the organization's ability to resolve social traps that hinder diversity advancement. Organizations with teams and work organization with dispersed decision making would tend to enhance diversity by distributing control and power throughout the organization. Thus, individual policies implemented in an identity-blind environment will more likely create social traps. A diversity orientation, on the other hand, will send a clear, unambiguous signal that all employees and their contributions are valued.

Training and development, work design, staffing and compensation represent the major elements of a diversity orientation. However, these elements can operate individually at cross purposes or in concert. A firm may have little or no emphasis on diversity with respect to training and development and a high degree of diversity emphasis with respect to work design.

Proposition 1: The dimensions of diversity orientation—development, work design, staffing, and compensation—may vary independently of each other in a given context.

Although many companies continue to use these four dimensions of diversity independently, we have argued that a configuration of these four practices will work together to enhance diversity. Thus, a multiplicative relationship exists so that companies that have complementary configured training and development, work design, staffing and compensation interventions will have a meaningful diversity orientation. This re-

lationship evolves from the fact that diversity is a complex phenomenon that needs constant reinforcement. Larkey (1996) characterizes an ideal diversity climate as encouraging pluralism and shared ideas. Barry and Bateman (1996) argue that diversity social traps are nested and involve locked-in behavior across levels of analysis. Thus, policies and practices that exist throughout the human resource system may have social trap attributes when viewed independently. However, a diversity orientation springs the trap by creating an organizational safety net to foster and encourage cultural diversity.

For example, Texas Instruments has a diversity orientation (*Black Enterprise*, 1997). The company's Diversity Network of over twenty diversity initiatives includes such features as a diversity forums and coalitions. The company also has business and corporate level diversity managers. The strategic leadership of the company incorporates diversity. Specific diversity initiatives include recruiting, training and development of protected class members and employee awards for achieving excellence in promoting diversity. The Diversity Network apparently serves as the key factor transforming individual diversity programs into a diversity orientation.

Proposition 2: Diversity orientation (human resource policies and practices that coordinate to reinforce diversity, including training/development, work design, staffing and compensation) is related to increased levels of racial and gender diversity.

The above discussion suggests that linkages between diversity policies and practices that lead to a diversity orientation are fragile. Management actions further reinforce redundancy among policies by conveying the

spirit of the policy more than strict adherence to the letter of the policies. Doty *et al.* (1993), drawing on Mintzberg (1983), suggest that coordinating mechanisms, processes used to bind together activities throughout the organization, serve as the glue that holds a configuration together. Of these coordinating mechanisms, direct supervision and mutual adjustment (informal communication processes among employees) are particularly relevant to diversity configurations. The Diversity Network at Texas represents such a coordinating mechanism. The coordination of diversity configurations becomes problematic without supervisors and employee support. Further, Doty *et al.* (1993) suggest that the CEO and the top management team represent the organization's strategic apex that conveys organizational objectives and values. Thus, their support for diversity becomes critical to binding the configuration together.

The procedural justice literature sheds further light on management's role by suggesting that employees have more organizational commitment (and presumably diversity) when they feel that the organization has fair procedures in place (Thibaut and Walker, 1975). Employees make procedural justice judgements dependent upon whether policies and procedures, "suppress bias, create consistent allocations, rely on accurate information, are correctable, represent the concerns of all recipients, and are based upon prevailing moral and ethical standards" (Greenberg, 1990: 404). Thus, justice judgements become particularly salient to diversity management that heightens bias concerns (Richard and Kirby, 1997, 1999). Consequently, employees must perceive that the policies

and procedures are fair before they will fully support diversity initiatives.

Proposition 3: Judgements of procedural justice will enhance employee commitments to a diversity orientation.

Thus, in sum, the linkages between diversity programs will be strengthened when multiple and redundant diversity programs exist, when management supports the spirit of these policies, and the policies follow fair and reasonable procedures. Nonetheless, creating genuine linkages, and at the same time avoiding social traps, becomes a delicate matter for management. As indicated by Nemetz and Christensen (1996), individuals choose their sources of influence and diversity programs represent only one source of influence for individuals.

THE DIVERSITY ORIENTATION-PERFORMANCE RELATIONSHIP: EXPLORING KEY CONTINGENCIES

Diversity management scholars are concerned with the relationship between diversity orientation and organizational performance. Milliken and Martins (1996) reviewed the diversity literature and drew several important conclusions. Racial and gender diversity can have negative effects on individual and group outcomes. For example, group members who differ from the majority tend to have lower levels of psychological commitment, higher levels of turnover intent and absenteeism than do majority members. Also, group coordination costs, such as increased communication time, appears to increase with diversity. However, evidence exists that these effects diminish with time (Watson *et al.*, 1993).

At the same time, more diverse groups appear to make higher quality decisions (Milliken and Martins, 1996). Creativity, consistent counter arguments, and the introduction of new perspectives enhances the decision-making process. Milliken and Martins (1996) also suggest that more diverse groups mirror environmental complexity and respond to its demands.

In sum, diversity appears to create additional coordination and control costs. However, these negative effects may diminish with time and are offset by better quality and more creative decisions. Thus, to effectively model the diversity orientation-performance relationship, the role of contingent or moderating variables deserves consideration. To address this issue, we review contingencies suggested in both the strategy and organizational theory literature.

Business Strategy

Evidence exists that strategy moderates the human resource practice-performance relationship (e.g., Delery and Doty, 1996; Huselid, 1995; Wright *et al.*, 1995; Youndt *et al.*, 1996). Strategy also has implications for the diversity orientation-performance relationship. Many typologies of organizational strategies exist in the strategy literature (e.g., Miles and Snow, 1978; Porter, 1980). We use Miles and Snow's strategic typology (prospectors and defenders) primarily for the reasons articulated by Delery and Doty (1996); namely, that this theory is a relatively strong predictor of effectiveness, that Miles and Snow (1984) explicitly stated that the theory has implications for human resources, and because the SHRM literature has commonly employed this

typology. Table 2 presents a brief overview of the strategic groupings within the Miles and Snow typology and their implications for human resource and diversity management. Note that the discussion below does not include analyzers because they represent a combined strategy of prospectors and defenders.

Prospectors, a Miles and Snow (1984) business strategy, constantly exploit new product and market opportunities. These firms emphasize effective product design and growth through innovation. Innovativeness, a firm's penchant for engaging in and supporting new ideas and creative processes, may result in new products or services (Lumpkin and Dess, 1996). Flexibility displaces efficiency as an operational priority, and employee involvement becomes important (Miles and Snow, 1978). Creativity becomes salient for innovators.

Diversity programs constitute a creativity technique deliberately used to facilitate the decision process by using individuals' inventive abilities within the organization. Group diversity consciously brings together employees with varying perspectives and beliefs about issues or concerns (Jackson *et al.*, 1991). Diversity practices can provide firms with the expertise to regularly develop and market competitive new products by enhancing organizational creativity and problem solving. Thus, prospectors may benefit from a more formal, extensive diversity program than other strategic types by improving their responses to new market opportunities. Additionally, prospectors have less concern for inefficiencies of increased employee coordination and turnover. In fact, turnover may enhance the creative process through the external recruit-

ment of new employees with fresh ideas (Miles and Snow, 1984).

In stark contrast to prospectors, defenders produce a limited set of products directed at narrow market segments. This goal necessitates creating a stable environment and defending against intrusions by competitors. Production and service delivery efficiency remains a primary objective. Communication functions to organize task performance and to clarify rules and regulations. Human resource practices for defenders should stress limited recruitment above entry level and selection based on weeding out undesirable employees (Miles and Snow, 1984).

Diversity is less amenable towards a defender orientation. Milliken and Martins (1996) indicate that clear evidence exists that skill diversity tends to decelerate group processes. Larkey (1996) suggests that diversity increases communication problems such as misunderstanding and group conformity. These communication problems hinder organizational efficiency as group members take time to work through these issues. Thus, diversity may hinder the speed and proficiency of decision processes and, consequently, interferes with efficiency (Milliken and Martins, 1996). Further, diversity increases turnover as group members experience discomfort with the group (Milliken and Martins, 1996). Defender strategies work explicitly toward building human resources. Retention is a key feature. Thus, because of their efficiency orientation, defenders have less slack to tolerate higher turnover rates and inefficiencies that diversity creates. Further, defenders place little value on the beneficial creative benefits of diversity. For these reasons, diversity

Table 2
Diversity Implications of the Miles and Snow Typology

Strategy	Business Objectives	Human Resource Objectives	Diversity Objectives
Prospectors	Exploit new product and market opportunities.	Create a workforce that is responsive and sensitive to market initiatives and willing to assume the risks of innovation.	Generate a diverse workforce that brings together multiple perspectives to enhance organizational creativity and responsiveness.
Defenders	Expand market share through a stable, well-developed product line. High volume, low cost orientation.	Create an efficient and effective workforce that is focused on product production and quality.	Diversity management is directed toward socializing the workforce to organizational norms and routines.
Analyzer	Combination of prospectors and defenders. Creation of stable product lines with the identification of new products within that line.	Create and efficient and effective workforce that is focused on product production and quality that can identify market opportunities.	Socializing the workforce into standard routines but with more of a group orientation to identify market opportunities within defined market.

Source: Miles, R., and C. Snow. 1984. "Designing Strategic Human Resource Management Systems." *Organizational Dynamics* 13: 36-52.

becomes a cost with few benefits for defender firms.

Taken together, the theory and evidence suggest that prospectors will benefit more from a diversity orientation. They can absorb the added diversity costs because it enhances innovation objectives. In contrast, defenders require streamlined operations with little latitude for slack. Thus, operations are less amenable to the inefficiencies caused by diversity.

Proposition 4: The relationship between diversity orientation and performance will be contingent on an organization's business strategy.

Human Resource Strategy

Many organizations have adopted a new type of HR work system. The reorganization stems from the observation that self-managed teams, quality circles, and total quality management programs enhance competitiveness. These organizations have administrative rules that structure employment but they require employee commitment and extra effort to continually enhance effectiveness. This type of work system has been called high-commitment or work system commitment-maximizing system (Osterman, 1995; Arthur, 1994). In a high-commitment HR system, firms seek to induce or encourage commitment. We conjecture that diversity practices constitute a tool for firms to obtain greater commitment. This form of HR system employs a work design that encourages diversity and avoids social traps (Barry and Bateman, 1996).

In terms of human resource strategy, homogeneity appears more suitable for cost-reduction systems (Arthur, 1994). The HR work system includes tight division of labor and

narrowly designed and specialized jobs. In such a system, limited employee participation exists and personnel policy specifies detailed rules concerning career progression and compensation (Osterman, 1995). Little incentive exists for cost-reduction HR systems to work towards a diversity orientation due to their inefficiencies. This work design is incompatible with one fostering diversity. Thus,

Proposition 5: The relationship between diversity orientation and performance will be contingent on an organization's human resource strategy.

Environmental Uncertainty

The environment is considered an important variable for both organizational theory and strategy (Jauch and Kraft, 1986; Milliken, 1987). More certain environments are defined as stable in contrast to volatile, uncertain environments (Emery and Trist, 1965; Hall, 1977). Zahra and Covin (1995) noted that firms that competed in hostile (i.e., uncertain and changing) environments and who adopt an entrepreneurial (e.g., innovative) posture are more likely to experience superior performance. We believe these findings have implications for diversity orientation.

Cox and Blake (1991) note that effective diversity management enhances organizational flexibility. More diverse groups consider a wider variety of perspectives. As diversity policies and practices become instituted, increased fluidity and flexibility result in an organizational culture that can react to environmental changes. Thus, a diversity orientation has more positive implications for performance under conditions of environmental uncertainty than under

states of environmental certainty, which suggests an interaction effect between diversity and the environment. The following emanates:

Proposition 6: The relationship between diversity orientation and performance will be contingent on an organization's environment.

Level of Diversity

A number of studies have found diversity negatively affects organizational processes and performance. Group heterogeneity, for example, has been associated with stereotyping, in-group/out-group effects, affective conflict, and turnover (e.g., Jehn et al., 2000; Pelled, 1996; Tsui et al., 1992). In addition, empirical research shows that in-group demographic preference exists in organizations (Allen and Wilder, 1975; Brewer, 1979; Tajfel, 1982). In-group preference involves favoring interaction with in-group (e.g., same race, same gender) over the out-group. Tsui et al.'s (1992) findings reveal that diversity leads to organizational detachment among white male employees. Thomas and Ely (1996) suggest that increasing demographic variation within firms did not in itself increase organizational performance. Williams and O'Reilly (1998) conclude that mismanaged diversity initiatives can negatively affect both process and outcomes. Therefore, we assert the following:

Proposition 7: Holding all other factors constant, racial and gender diversity is negatively associated with organizational performance.

Williams and O'Reilly (1998) note that negative consequences may diminish and positive effects magnify with intervention. As companies become more culturally diverse, they so-

cialize newcomers to identify with the organization or sub-unit in terms of its positive, distinctive, and enduring characteristics. Identification enables the new employees to reify the organization, provide loyalty to it, and support it (Ashforth and Mael, 1989). Elsass and Graves (1997) argue that strong corporate directives for norms of equality should reduce unconcealed bias. When working on complex, nonroutine problems, groups composed of diverse individuals in terms of skills, knowledge, abilities, and perspectives may experience greater task conflict. Task or substantive conflict contributes to a more complete issue analysis, and consequently, improved decision making and performance (Jehn, 1995; Pelled, 1996).

Proposition 8: Level of racial and gender diversity and diversity orientation will positively affect organizational performance through its interaction.

These performance effects will take place over time. A group's ability to embrace and leverage diversity is going to emerge slowly. Groups need time to adjust to the organization's diversity goals. Thus, the performance effects will not be realized immediately. The lag may be as short as a year. However, in all probability it will take several years for a diversity orientation to become fully embedded in organizational life.

An example of a firm with vertical alignment (alignment of business strategy and diversity strategy) and horizontal alignment (an alignment of diversity practices) is Lucent Technologies, an AT&T affiliate. Information obtained from a personal interview with Ms. Edgerton-Chisler in 1997 suggested a horizontal alignment of diversity initiatives which included a company code of conduct, diversity training, diversity policy at

the corporate and business level, a diversity network, a diversity hotline, and zero tolerance for discriminatory behavior. Further, managers are evaluated and rewarded for meeting diversity objectives. Diversity recruitment is emphasized with visible management commitment. Thus, Lucent provides one example of a firm with a diversity orientation. Lucent also has an innovative business strategy and operates in a turbulent environment. Thus, this diversity orientation fits with its strategy and environment. Thus, we would expect performance improvements because of the match between their business strategy and their diversity orientation. There is some evidence that Lucent's effectiveness has increased. For example, customer satisfaction and community support has risen as assessed through surveys, focus groups and benchmark data. Previous research has found that the announcement of exemplary affirmative action programs has a positive impact on stock returns (Wright *et al.*, 1995). Although it is difficult to directly tie to their diversity orientation, Lucent's stock price has also increased since their initiative.

SUMMARY AND DISCUSSION

In this article we have introduced the notion of a diversity orientation as a configuration of diversity practices (see Table 1). The idea of a diversity orientation is to clearly articulate that diversity management is not solely based upon one or two policies that are inclined to reduce discrimination. Rather, diversity orientation commits many aspects of the organization to truly integrating diversity and diverse perspectives into the whole of organizational life. Fur-

ther, a diversity orientation requires procedural fairness for all employees so that neither majority or minority groups experience a sense of being left out.

We have also suggested that a diversity orientation may not be valuable for all organizations. A diversity orientation requires a substantial commitment of resources and a willingness to experience inefficiencies for a time. A tolerance for inefficiency may pay-off for an organization who desires innovation (prospectors), a high-commitment work environment, and faces a dynamic environment. The cost may be too high for firms striving for efficiency (defenders) and cost-reduction, and facing stability. Finally, if firms must deal with a diverse workforce, a diversity orientation may yield positive performance effects through the genuine integration and acceptance of diverse employee perspectives which leads to a reduction in turnover and absenteeism.

Contributions

The contribution of this article is to elucidate that diversity management is not simply the hiring of a diverse workforce and not discriminating. On one level, this observation is obvious. However, on another level, this fact is rarely explicitly recognized. Members of protected classes and women are hired and expected to conform to the majority's norms. Instead, organizations with a diversity orientation hire minorities and women and embrace the unique perspective that each group brings with them. Diversity is not merely accepted but recognized as an integral part of the organization. Every aspect of a diversity orientation (work de-

sign, staffing, training, and compensation) signals that diversity is a core part of the organization and is unequivocally, unconditionally valued. Organizational justice, particularly procedural fairness, is central to ensuring that a diversity orientation does not also diminish anyone in that organization because of their culture, race, ethnic background or gender. A diversity orientation is about recognizing and understanding the perspectives of all employees.

The practical implication for managers is that leveraging diversity is hard. Top management can not simply assign diversity management to the human resource department to implement a couple of training programs and proudly state that we now have diversity. In fact, diversity orientation may have less to do with the human resource department and more to do with general management. When human resources are strategically integrated into organizational strategic process, the human resource department takes on much less importance. Thus, a diversity orientation requires the entire organization to view itself as committed to diversity (Dass and Parker, 1999); otherwise social traps and dilemmas will ensue. This is a challenge, when we know that organizations naturally tend toward homogeneity.

However, this article also suggests that a diversity orientation may be worth the investment. Diversity is a valuable tool for finding creative solutions, for creating commitment, and responding to environmental uncertainty. Diversity may also not be a choice as the labor force is increasingly diverse. Thus, firms who seize diversity may gain competitive advantage by leveraging undervalued assets as suggested by Becker (1971).

Research Implications

Future research should integrate the individual and/or group levels into the proposed organizational typology. Each ideal-type may require a unique person-organization fit (Meyer *et al.*, 1993; Schneider, 1987). A number of individual attributes, including values and personality traits can aid in ascertaining fit. For example, an individual high in ethnocentrism may be more suitable for a low-diversity orientation organization. Similarly, an individual with egalitarian values may have more job fit within a diversity orientation organization. Finally, there may be implications for group-job fit. For example, Hofstede (1985) has shown that dynamics might differ between groups that have more collectivist cultures (Hispanic Americans) and groups that have more individualistic cultures (European Americans). In sum, there remains many opportunities for cross-level and multilevel research within a configurational framework.

Projections show that increasing diversity in the workplace is a reality, not a myth. However, to investigate the impact of diversity on the multiple levels (i.e., micro and macro), a number of issues must be addressed.

Are organizations "practicing what they are preaching?" Many organizations may state that they have diversity practices but may not actually employ them. Future research may need to search for other factors that intervene in the link between presence of diversity practices and firm performance. For example, Brickson (2000) proposes a relational identity as opposed to a group identity. A diversity orientation may wish to foster such an identity within its organization. The diversity orientation provides guid-

ance for searching to ascertain whether a diversity initiative is real or whether there are only a few individual practices that have the potential for developing a diversity trap (Barry and Bateman, 1996). Distinguishing between superficial and meaningful diversity programs is crucial to ascertaining the role that diversity plays in affecting firm performance.

Finally, as we have highlighted, it is of primary importance to elaborate and test more complete configurational models. Models should include intervening variables such as business and human resource strategy and environment in order to rule out alternative explanations when observing

the diversity orientation-organizational performance relationship.

The challenge of managing an increasingly diverse population becomes how do we help diverse employees work together effectively. The most common initiators or programs or policies addressing workforce diversity comprise human resource professionals and chief executive officers (Carrell and Mann, 1995). This theory should guide managers in developing programs and policies that work toward influencing firm performance and help them to align their organizational attributes to gain competitive advantage.

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