

**Articles in the Journal of
Equipment Lease Financing
are intended to offer
responsible, timely, in-depth
analysis of market segments,
finance sourcing, marketing
and sales opportunities,
liability management, tax laws
regulatory issues, and current
research in the field. Contro-
versy is not shunned. If you
have something important to
say and would like to be
published in the industry's
most valuable educational
Journal, call (703) 527-8655.**

JOURNAL

OF EQUIPMENT LEASE FINANCING



Legal Guide to Leasing in Russia for Foreign Lessors

By Irma Foley

Favorable changes in Russian leasing law are making leasing more attractive than other financing methods for both Russian lessees and foreign lessors. Increased economic effectiveness, flexibility, and accessibility are some of the positive changes.

The Response to Customer Default: Captive Versus Non-captive Lessors

By Itzhak Ben-David, PhD, and James S. Schallheim, PhD

Repossession or write-off? The default remedies of captive and non-captive leasing companies can vary significantly. This Foundation-commissioned study explores the behavioral differences between captives and non-captives in instances of default.

Management of a Diverse Workforce: Meanings and Practices

By Jenny Hoobler, PhD, Tim Basadur and Grace Lemmon

What does diversity management mean in a leasing setting? To find out, this study commissioned by the Foundation surveyed human resources managers in leasing companies as well as diverse individuals within those same firms.

Management of a Diverse Workforce: Meanings and Practices

By Jenny Hoobler, PhD, Tim Basadur and Grace Lemmon

EXECUTIVE SUMMARY

Purpose

The purpose of this article, which was commissioned by the Equipment Leasing and Finance Foundation, is to explore what companies now consider the components of diversity management. The article explores leading practices, explains how the effectiveness of diversity management programs is measured, and offers a window into what some leasing and finance companies are currently doing in the diversity arena.

Key Findings

1. A survey of the human resource management literature led us to categorize diversity management initiatives into (1) recruitment efforts, (2) individual development efforts, (3) organizational development efforts, and (4) external-outreach efforts.
2. Leading practices in diversity management are categorized as (1) general philosophy, (2) training, (3) development, (4) accountability, and (5) feedback, with each detailed.
3. We found that measuring the effectiveness of diversity initiatives is an important concern to companies, yet only a handful have specific measures in place at the present time.
4. A web-based survey conducted in 2006 by the authors and funded by the Foundation revealed that within the leasing and finance industry, the companies' diversity management programs focus on these workforce groups: women, African-Americans, Latino/Latina/Hispanics, Asians, those with disabilities, sexual minorities, those with religious beliefs, older employees, and younger employees.
5. Data collected in the web-based survey of leasing and finance industry firms support the claim that diversity initiatives do make a difference. The authors surveyed HR managers about the diversity policies and programs their individual firms engaged in, and, with another survey, asked diverse individuals in those same firms about their firm's diversity climate. Results support the idea that when firms engage in specific diversity management initiatives, employees in those firms hold more positive attitudes toward diverse others.

Research has shown that companies stand to benefit from a diverse workforce in many ways, including (1) the ability to sustain a competitive advantage¹; (2) greater innovation, creativity, and renewal²; and (3) heightened chances for organizational survival.³ Only companies that can manage and support diverse cultures will be able to retain talent and remain competitive in the workforce of the future.

As a result, a pro-diversity orientation is becoming standard in U.S. organizations, where

diversity initiatives (here defined as specific activities, programs, policies, and other processes or efforts designed for promoting organizational culture change related to diversity^{3,4}) are many and varied.

The purpose of this article is to explore what companies consider the components of diversity management (diversity initiatives), describe leading practices, articulate how the effectiveness of diversity management programs is measured, and offer a window into what some leasing and

What management practices have leasing companies adopted with respect to a diverse workforce? How do those practices compare with those of the Fortune 1000? A study commissioned by the Foundation brings these practices to light.

Overwhelmingly, companies report a concerted effort to recruit minority employees. Many report including diverse employees in the minority recruiting process.

finance companies are currently doing in the diversity arena.

WHAT IS DIVERSITY MANAGEMENT?

Broadly, the types of diversity management initiatives that companies pursue fall into the following categories: (1) recruitment efforts, (2) individual development efforts, (3) organizational development efforts, and (4) external-outreach efforts. See Table 1 for specific examples of initiatives relating to each of these four categories.

Recruitment Efforts

Overwhelmingly, companies report a concerted effort to recruit minority employees. Many report including diverse employees in the minority recruiting process.⁵ Additional common practices include going beyond posting newspaper and web-based job advertisements—that is, sending job postings to ethnic organizations, being visible at career fairs, and traveling to a wider range of universities to recruit.

Individual Development Efforts

Second, and again to a great degree, companies' diversity initiatives include some type of

diversity-awareness, appreciating-differences, or sensitivity training for employees. The objectives of these training efforts are to reduce stereotyping, to increase cultural sensitivity, and to develop skills for working in multicultural environments.⁶

Many companies do not take a one-size-fits-all approach. For example, they take into account the occupations and the level of interaction with customers and fellow employees. Increased development opportunities for high-potential minority employees and mentoring are commonly cited practices, designed to give employees enhanced skills and access to powerful others in the organization.⁷

Organizational Development Efforts

Third, efforts aimed at organizational effectiveness include cultural audits to assess how both organizational insiders and outsiders perceive the success of the organization in its quest to embrace diversity.⁸ Diversity advisory boards composed of organizational outsiders who are knowledgeable in the area of diversity can guide and consult companies on diversity management programs and progress.⁹

Table 1

Diversity Management Initiatives

Type of initiative	Description
Recruitment efforts	Recruit diverse employees via expanded job postings Send job announcements to ethnic organizations Be visible at career fairs Recruit at a wider range of universities
Individual development efforts	Create a diversity awareness/cultural sensitivity program Increase availability of mentoring programs for high potential minority individuals Increase development opportunities for high potential minority individuals
Organizational development efforts	Cultural audits Develop diversity advisory boards Emphasize fairness and equity in mission statements and visioning action plans Organize work/life balance programs Mandate performance and accountability initiatives
External-outreach efforts	Support the local community Target qualified minority-owned and minority-operated vendors Fund research activities that focus on the well-being of minorities Allocate funds for philanthropy and/or scholarships for minorities

Sources: Rosner, 1999; Wentling, 2001; Gasorek, 1998; MacDonald, 1993; Wentling & Palma-Rivas, 2000

A principle of organizational development is that fairness and equity should be clearly mandated in company policies. Diversity should be front and center in mission statements and visioning action plans.¹⁰

Work-life balance programs are often seen as a part of diversity management, because their focus is to make work arrangements more flexible and to acknowledge workers' personal life commitments such as caring for children, older parents, and employees' own health-related issues.¹¹

The best companies are working to ensure that diversity is talked about but also is a focus of real action and organizational improvement. These companies mandate performance and accountability initiatives specific to diversity goals. In other words, these companies hold their managers responsible for meeting diversity goals, via their compensation and promotion.

External-Outreach Efforts

Lastly, community support is an outward sign of a diversity commitment. Many companies report targeting qualified minority-owned and minority-operated vendors with their purchasing activities.¹² To a lesser extent, these companies fund research activities related to minorities and women, including their health and well-being.

As an example, Toyota has designated 15% of its philanthropic spending for minority-focused community programs.¹³ Many organizations sponsor scholarships for minorities in the communities in which they do business.¹⁴ Other organizations give back to their communities by releasing their employees to lecture at schools and universities, to serve as role models for students.

WHO ARE DIVERSE INDIVIDUALS?

Figure 1 presents the results of a study of 121 Fortune 1000 companies to determine the workforce groups they target for their workforce diversity initiatives.¹⁵ Likewise, the authors collected data to understand what workforce groups are the focus of leasing and finance industry companies' diversity management programs.

A web-based survey conducted in 2006 and funded by the Equipment Leasing and Finance Foundation provided the data presented in Figure 2. This sample of leasing and finance firms complements the broader results from the Fortune 1000 sample.

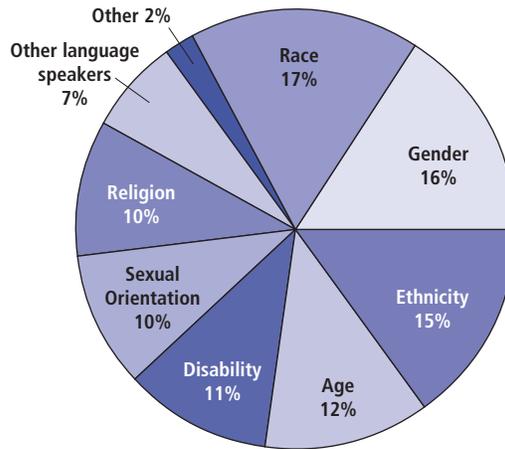
WHAT ARE LEADING PRACTICES IN DIVERSITY MANAGEMENT?

The following five categories summarize the writings on leading practices in diversity man-

The best companies are working to ensure that diversity not only is talked about but also is a focus of real action and organizational improvement. These companies mandate performance and accountability initiatives specific to diversity goals.

Figure 1

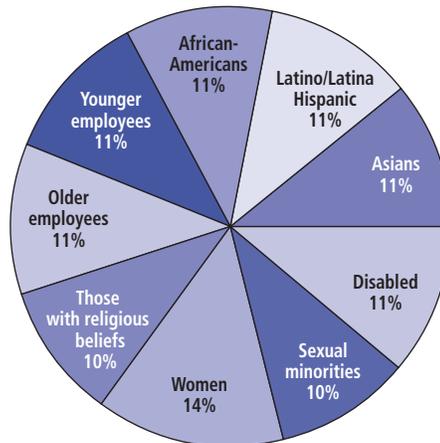
Groups Targeted by Workforce Diversity Initiatives (Fortune 1000 Companies)



Source: Gresing-Prophal, 2002

Figure 2

Groups Targeted by Equipment Leasing and Finance Organizations



Best practices in training start with diversity training as a part of the orientation process for new employees, with its principles and behaviors continually reinforced throughout an employee's tenure with the organization.

agement: (1) general philosophy, (2) training, (3) development, (4) accountability, and (5) feedback.

General Philosophy

Although many organizations have a broad philosophy of working to maintain respect regardless of gender, ethnicity, or race,¹⁶ others take the more targeted approach of integrating diversity initiatives into corporate goals and priorities. The latter approach involves recognizing that diversity is more than a human resource issue. It is a business imperative for the reasons mentioned in the first paragraph of this article.

Marchant¹⁷ says there are three pillars on which successful workplace diversity rests.

1. **Direction.** Only the CEO or company head has the clout to lead an equity or diversity plan.
2. **Strategy.** Improved policies and practices are fine, but not nearly enough. Equity plans must be incorporated into overall business strategy.
3. **Perseverance.** Diversity and equity measures need continual refining. Regularly assess where you are. There is no cause for discouragement, as change can take a long time. Indeed, the test of a successful diversity program is endurance.¹⁸

Many authors echo the cry that diversity management is not a sprint. Leaders must be willing to hear bad news, accept solutions, and implement employees' suggestions and ideas. They must be consistent and equitable in recognizing and rewarding employees' accomplishments, while providing a working environment that supports and encourages flexibility, inclusion, and change.¹⁹ Leaders should recognize, celebrate, and connect with small wins, to aggregate small changes into a larger change process with more impact.²⁰

Training

Best practices in training start with diversity training as a part of the orientation process for new employees, with its principles and behaviors continually reinforced throughout an employee's tenure with the organization. That is, managers at all levels must be well trained in diversity management so as to convey a consistent mes-

sage to employees. With respect to the administration of training programs, attendance must be mandatory for all; moreover, programs should be evaluated for inclusion of diverse groups and evaluated for effectiveness. Attendance is a start, but it is not the only goal.

Development

In the interest of promoting diverse individuals, awarding promotions simply because of an employee's diversity status is not the answer. For leaders to disregard qualifications and experience, putting someone in a position strictly due to his or her minority status, helps neither that employee nor the organization as a whole. In fact, this practice can do more harm than good in promoting respect for diverse others.²¹

Accountability

Managers' performance reviews should factor in how well they manage diversity. It is axiomatic of "what gets measured gets done." Middle managers have the greatest need to be informed, sensitized, and coached. But top management must support, endorse, and commit to these practices.²²

Feedback

Career counseling and advising are vital. They can remedy turnover problems. Moreover, minority individuals (and majority-group employees for that matter) who have excellent opportunities elsewhere may leave if they are unaware of their opportunities with their current employer.²³

When minorities do leave, the exit interview is an opportunity for the manager to listen and learn. If the organization can meet with individual groups of minorities for feedback sessions, its leaders can see whether these employees have ideas to share when in the company of persons of the same background.²⁴

HOW ARE COMPANIES MEASURING THE EFFECTIVENESS OF THEIR DIVERSITY INITIATIVES?

A survey of the literature reveals that measuring the effectiveness of diversity initiatives is an important concern that many companies say they

are aware of and pledge in the future to focus on—yet many have no specific measures in place at the present time. Indeed, some shy away from the issue out of the fear that the results will be disappointing, from the return-on-investment point of view.²⁵ A 1997 study confirmed the idea that few diversity initiatives, when measured for their effectiveness, have a significant effect on overall firm performance.²⁶

Companies report using the following tools to measure diversity effectiveness.

- Employee surveys: change of attitudes
- Employment data: tracking numbers of employees with regard to turnover, absenteeism, and promotion
- 360-degree feedback: assessments of managers' handling of diversity issues
- Focus groups: employee perceptions of diversity efforts
- Benchmarking: comparing company efforts to competitors' best practices
- Diversity-specific surveys: asking diverse employee groups about company climate
- Annual performance reviews of managers: monitoring business units' achievement of financial results with a diverse workforce

- Employee feedback: how all employees feel about diversity initiatives
- Customer feedback: whether diverse customers are well served

Table 2 offers examples of how to measure the effectiveness of diversity initiatives.^{27,28}

Those who seek to quantify effectiveness cite the performance, retention, promotion, turnover, hiring, and absenteeism rates of minority employees. Yet Thomas Kochan of the Wharton School and others argue that the business case for diversity efforts simply does not exist and that the results have been exaggerated. Kochan and scholars argue that despite an immaterial business case, companies must still frame diversity efforts as a labor-market imperative that has value to society at large.²⁹

Discrimination lawsuits can be costly and damaging to an organization's reputation. From this perspective, training and culture change can help companies avoid them.

General advice from both practitioners and scholars is to use demographic data—race, gender, marital status—in the analysis of issues using both hard data (turnover rates, sales figures, productivity) and soft data (satisfaction and attitudes). Benchmarking research will pinpoint best practices in the industry and enable leaders

Discrimination lawsuits can be costly and damaging to an organization's reputation. From this perspective, training and culture change can help companies avoid them.

Table 2

Measurement of Diversity Management Initiatives

Measurement question	Type of measure to use
How do I measure change in employee attitudes about diversity?	Employee surveys
How do I find information about turnover, absenteeism, and promotion?	Tracking employee data
How do I assess if managers are handling diversity issues appropriately?	360-degree feedback
What are my employees' perceptions of diversity efforts?	Focus groups
In comparison to my competitors' best practices, how does my organization fare in terms of diversity effectiveness?	Benchmarking
How do my employees view the organization's diversity climate?	Diversity-specific surveys
Have my business units achieved financial results with a diverse workforce?	Annual performance reviews of managers
What do my employees feel about diversity initiatives?	Employee feedback surveys
Are my diverse customers served well?	Customer feedback surveys

Sources: Hansen, 2003; Wentling & Palma-Rivas, 2000

Benchmarking helps to specify the gains or benefits to be achieved by the diversity program.

to compare their company with others that reflect their needs and position.³⁰ Moreover, benchmarking helps to specify the gains or benefits to be achieved by the diversity program. Designing the appropriate program from the beginning will make it easier to evaluate the success of the program after implementation.³¹

THE IMPORTANCE OF THE SOFTER SIDE OF DIVERSITY

As Kochan and other scholars maintain, the business case for diversity may not always add up when it comes to return-on-investment or other quantitative measures; however, diversity management is nevertheless important. That is, the inclusion and valuation of diverse employees not only is an important goal for society but also, on a more local scale, is critical to attract and retain a diverse workforce. Women hold half of all management, professional, and related occupations³² in the United States, and African-Americans and Latinos combined make up 24% of the U.S. labor force.³³

Data from leasing and finance industry firms support the claim that, in a softer way, diversity initiatives do make a difference. That is, as part of our Foundation-supported research effort, we surveyed employees working in human resources and diverse employees from the same leasing and finance firms. With one web-based survey, we asked the HR managers about the diversity policies and programs their individual firms engaged in. Then, with another survey, we asked diverse individuals in those same firms about the diversity climate at their firms.

Results support the idea that when (as reported by HR employees) a firm engages in specific diversity management initiatives, the diverse employees in those firms reported that their fellow employees held more positive attitudes toward diverse others. That is, diversity initiatives seemed to be working—working as far as making diverse others feel more welcome and valued (Table 3).

In this vein, many authors and managers alike support the philosophy of “diversity for diversity’s sake” or “diversity for societal change.” As an example, the following eight-step model reflects much of what has been discussed in this article: slow and steady progress, attitude change, and results on the softer side.

1. Exposure
2. Experience
3. Knowledge
4. Understanding
5. Appreciation
6. Respect
7. Modification of attitudes and behavior
8. Healthy interaction³⁴

In summary, based on their research, the authors of this article contend that diversity is an intrinsically worthy goal in and of itself as well as in the leasing industry and the business community at large.

Table 3

Research Findings

HR employee-reported actions	Result
Offering mentoring programs to diverse employees	→ Diverse employees felt others in the organization had more positive reactions to diversity programs
	→ Diverse employees held more positive attitudes toward diversity programs
Incorporating diversity into mission statements	→ Diverse employees felt others in the organization had more positive reactions to diversity programs
	→ Diverse employees held more positive attitudes toward diversity programs

Endnotes

1. McMahan, Gary C., Myrtle P. Bell, and Meghna Virick. "Strategic human resource management: employee involvement, diversity, and international issues." *Human Resource Management Review*, 8 (1998): 193-214.
2. Amabile, Teresa M. "The social psychology of creativity." *Journal of Personality and Social Psychology*, 45 (1983): 357-376.
3. Schneider, Sherry K., and Gregory B. Northcraft. "Three social dilemmas of workforce diversity in organizations: A social identity perspective." *Human Relations*, 52 (1999): 1445-1467.
4. Arrendondo, Patricia. *Successful Diversity Management Initiatives: A Blueprint for Planning and Implementing* (Thousand Oaks, Calif.: Sage, 1996).
5. Rosner, Bob. "How do you diversify a workforce?" *Workforce*. 78 (March 1999): 18.
6. Wentling, Rose Mary. "Diversity in the work force. The highlight zone: Research@work," No. 4 (2001). Columbus, Ohio: National Research Center, National Dissemination Center. www.nccte.org/publications/infosynthesis/highlightzone/highlight04/index.asp
7. Gasorek, Dory. "Viewpoint." *Business Credit*, 100 (6): 70-71.
8. MacDonald, Heather. "The diversity industry." *New Republic*, 209 (1993): 22-25.
9. "Toyota diversity initiative makes headway." *Los Angeles (Calif.) Sentinel*, Jan. 23, 2003, A13.
10. Wentling, "Diversity."
11. Wentling, Rose Mary, and Nilda Palma-Rivas. "Components of effective diversity training programmes." *International Journal of Training and Development*, 3 (2000): 215-226.
12. "Toyota diversity initiative."
13. Ibid.
14. Wentling, "Diversity."
15. Gensing-Pophal, Lin. "Reaching for diversity." *HR Magazine*, 47: 53-56.
16. Swanson, Don R. "Diversity programs: Attitude and realities in the contemporary corporate environment." *Corporate Communications: An International Journal*, 7 (2002): 257-268.
17. Marchant, Valerie. "The New Face of Work." *Canadian Business*, March 29, 2004, 36-42.
18. Soutar, Sammi. "Beyond the rainbow." *Association Management*, 56 (2004): 26-33.
19. McCuiston, Velma E., Barbara R. Wooldridge, and Chris Pierce. "Leading the diverse workforce." *Leadership and Organization Development Journal*, 25 (2004): 73-92.
20. Holvino, Evangelina, Bernardo Ferdman, and Deborah Merrill-Sands. "Creating and Sustaining Diversity and Inclusion in Organizations: Strategies and Approaches," in *The Psychology and Management of Workplace Diversity*, ed. Margaret Stockdale and Faye J. Crosby, 245-276 (Malden, Mass: Blackwell Publishing, 2004).
21. Swanson, "Diversity programs."
22. Wentling, Rose Mary. "Factors that assist and barriers that hinder the success of diversity initiatives in multinational corporations." *Human Resource Development International*, 7 (2004): 165-180.
23. Swanson, "Diversity programs."
24. Ibid.
25. Grossman, Robert J. "Is diversity working?" *HR Magazine*. 45 (2000): 46-51.
26. Holmes, Tyrone. "How to connect diversity to performance." *Performance Improvement*, 44 (2005): 13-17.
27. Hansen, Fay. "Diversity's business case doesn't add up." *Workforce*, 82, no. 4 (2003): 28-32.
28. Wentling and Palma-Rivas, "Components."
29. Kochan, Thomas, Katerina Bezrukova, Robin Ely, et al. "The effects of diversity on business performance: Report of the diversity research network." *Human Resource Management*. 42 (2003): 3-21.
30. Gardenswartz, Lee, and Anita Rowe. "Why diversity matters." *HR Focus*, 75 (1998): S1-S3.
31. Holmes, "How to connect."
32. Department of Labor Statistics, U.S. Department of Labor. "Women in the Labor Force: A Datebook." May 13, 2004. www.bls.gov
33. Department of Labor Statistics, U.S. Department of Labor. "Charting the U.S. Labor Market in 2005" (2005). www.bls.gov
34. Friday, Earnest, and Shawnta Friday. "Managing diversity using a strategic planned change approach." *Journal of Management Development*, 22 (2003): 863-880.



**Jenny M. Hoobler,
PhD**

jhoobler@uic.edu

Jenny M. Hoobler is an assistant professor in the Department of Managerial Studies at the University of Illinois at Chicago. She Prior to pursuing her doctoral degree, Dr. Hoobler worked at the Illinois Department of Transportation and then at the corporate offices of State Farm Insurance. Dr. Hoobler's research focuses broadly on work and personal life intersections and gender and diversity in organizations. Her current efforts include understanding abusive supervisors and exploring the intersection of domestic violence and work. She was the recipient of an Equipment Leasing and Finance Foundation grant to study diversity in the leasing and finance industry in 2005. She earned her undergraduate degree from the University of Illinois at Urbana-Champaign and her MBA from the University of Illinois-Springfield. She received her PhD in business administration in 2002 from the University of Kentucky, Lexington.



Tim Basadur

tbasad2@uic.edu

Tim Basadur is a doctoral student in managerial studies at the University of Illinois at Chicago. His research interests include diversity and individual and organizational creativity; psychological contract formation; and social network analysis. Prior to enrolling at UIC, Mr. Basadur worked as a creativity and innovation consultant, developing trainers and process leaders. He also led strategic planning, facility design, and team initiatives in client organizations including Pfizer CHC, Goodrich, UBS, Tricon Global Restaurants, and Bell Canada.



Grace Lemmon

glemmo2@uic.edu

Grace Lemmon is a doctoral student at the University of Illinois at Chicago. She graduated from DePaul University, Chicago, with a BS in marketing. Ms. Lemmon's interests include mood, affect, and emotions, and their impact on organizational justice and workplace outcomes.