

# **Building Diversity Competence: Ideas for Your Healthcare Organization**



**CEO Circle White Paper**  
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Healthcare Executives  
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American College of  
Healthcare Executives  
Suite 1700  
One North Franklin Street  
Chicago, Illinois 60606-4425

## Introduction

In 2002, ACHE conducted its third study comparing the career attainments of Whites with race/ethnic minorities, sponsored by the Association of Hispanic Healthcare Executives, Institute for Diversity in Health Management, National Association of Health Services Executives, and Indian Health Service. Following on similar studies in 1992 and 1997, the study revealed that although some progress has been made toward reducing unexplained differences in race/ethnic career attainments, disparities still exist. Detailed findings were reported in the November/December 2003 issue of *Healthcare Executive* magazine and are also available on ACHE's Web site.

Following the study, ACHE's Board of Governors approved a set of recommendations that healthcare executives can follow to address disparities in their organizations and within the field. The recommendations were published in the January/February 2004 issue of *Healthcare Executive*.

As the heads of healthcare organizations, chief executive officers hold a special responsibility to follow these recommendations and commit to enhancing diversity in their organizations and in the field as a whole. Yet many CEOs are frustrated in their efforts to improve minority career outcomes. This year's CEO Circle white paper analyzes why current diversity efforts are lacking and introduces specific policies and practices that can help CEOs improve race relations. In addition, we summarize a respected scholar's long-term plan for enhancing career opportunities for race/ethnic minorities and realizing the full benefits of a multicultural environment.

## Major Findings

The 2002 study, *A Race/Ethnic Comparison of Career Attainments in Healthcare Management*, found that in some areas, minorities have made important inroads into achieving equality with their White counterparts. But the study also revealed that much work must be done before minorities will achieve career attainments comparable to White executives. Overall, the study reflected a range of disparities: Blacks report the greatest disparities when compared with Whites, while Hispanics, Asians, and Native Americans consistently fall within the poles set by Whites and Blacks.

### Positive Findings

**1. Men's compensation.** Controlling for education and experience, there were no major differences between minority and White men in total compensation earned (Table 1). However, although minority men can expect to achieve similar compensation as their White counterparts if they attain similar levels of education and experience, the statistical makeup of the sample indicates that in actuality, minorities are *not* attaining equal levels of experience. We don't know if this is because minorities are leaving the field for more promising opportunities or if they simply joined the field more recently.

### 2. Sense of autonomy on the job.

Approximately the same proportion of men and women of all races/ethnicities felt empowered in their positions (Table 2).

**3. Perception of job security.** Except for Black women, similar proportions of minorities as Whites reported being satisfied with their job security (Table 2).

## Negative Findings

**1. Women's compensation.** Controlling for education and experience, White women continue to exceed minority women in total compensation earned (Table 1).

**2. Senior management.** A higher proportion of White men and women are in senior management positions (CEO, COO, EVP) than minorities (Table 3).

**3. Satisfaction.** A lower proportion of minorities than Whites are satisfied with their pay and fringe benefits, sanctions and treatment received when they make a mistake, and supervisor's respect (Table 2).

**4. Aspirations to be a CEO in five or 10 years.** More White men than minority men aspired to be a CEO; women, however, showed no difference in such aspirations by race/ethnicity (Table 4).

## Barriers to Enhancing Diversity

The demographic composition of the workforce is changing to include more minorities. This, coupled with the fact that communities themselves are becoming more ethnically diverse, creates the need to have minorities in senior-level positions. Indeed, for many organizations, the ability to stay competitive depends on the ability to diversify. For example, diversification can help healthcare organizations realize their mission to improve the quality of life for all people. It can also improve creativity and flexibility, build greater retention and commitment to the organization, and make marketing efforts more effective.

Many minorities recognize the business sense behind enhancing diversity. One Black male respondent stated:

*The position I hold today is a direct result of the organization's interest in and commitment to bringing in a Black senior executive. It makes good business sense for the organization to do so, as the community we serve is largely Black and Hispanic. Only when organizations are able to look past the differences we share, and recognize that it's good business to do so, will we begin to see more minorities in the senior ranks.*

Given the fact that diversifying healthcare organizations seems so reasonable, why is it that so many organizations are frustrated in their attempts to increase the proportion of minorities in senior-level management positions? Taylor Cox, a noted sociologist, has studied numerous business organizations and attributes this frustration in large part due to (1) misdiagnosis of the problem and (2) failure to use a systemic approach to implementing change.

### Misdiagnosis of the Problem

Most CEOs mistakenly believe that there is a pipeline problem—that there are simply not enough minority members in the organization (or in the field) to promote. Others believe that bigotry among existing managers accounts for the lack of minority senior-level executives. In reality, the most significant problem rests with organizational culture. Specifically, healthcare organizations hire “good fits” to their existing culture, which guarantees the perpetuation of the dominant White culture. If new recruits are from minority groups, they are encouraged to assimilate; differences that might initially be nurtured then dissipate over time.

This problem was identified by one Black female respondent to our survey. She wrote:

*I have noted numerous African American women who have become self-employed after numerous lateral moves in healthcare management. Many of us found our career tracks interrupted by childbearing, and were not able to regain status or similar opportunities as our White male counterparts of similar educational backgrounds and experience. I also see fewer minority executives in senior-level positions across the country than I did 10 years ago. Executives no longer seem to appoint people to positions based on their talent and potential, but on their prior experience and comfort with someone's “precise” prior experience. In order for minorities in healthcare to advance, because we are few, executives will need to place (hire) for talent, not just for precise replication of experience.*

## **Lack of Systemic Approach to Implementing Change**

Organizations often create diversity task forces to address the problems of minority underrepresentation and alienation. But such task forces often have little impact on hiring practices or the dominant culture.

In addition, hiring is only one aspect of cultivating a new culture that embraces diversity. Other congruent practices are needed, such as offering coaching and mentoring, providing continuing education, enhancing opportunities for visibility, and performing candid evaluations.

For example, many minority respondents wrote that they lacked opportunities for visibility in their organizations:

*Often White up-and-coming professionals are afforded greater (because of relationships) access to visible projects than up-and-coming Black professionals. Thus, senior leaders more often see the ability of the White healthcare professional than the Black healthcare professional. Lastly, stereotypes of Black healthcare professionals cloud our performance. We have to be 10 times better to get any recognition.*

One respondent suggested that an essential part of a diversity strategy is for organizations to develop minority executives internally:

*I believe some White executives and board members view a Black person in a senior position in much the same way as those within the NFL view a Black quarterback or head coach. Due to ignorance, I believe those in decision-making positions believe a Black person cannot lead a healthcare organization. Across the board in healthcare there is not a lot of succession planning. Organizations are now starting to realize they need to develop their own leaders; they need to include and select minority candidates. By developing minority candidates for the future, healthcare may see an even racial balance in executive leadership.*

Indeed, the main stumbling block for minorities in healthcare management seems to be not entry into the management ranks, but rather, advancing to senior-level positions. The following observation was made by a White healthcare manager:

*Senior executives are evaluated based on their effectiveness, rather than whether they are very liked by their staff and peers or whether they have a diversified staff. I believe senior executives are risk averse when it comes to promotions since they perceive that they're taking a chance on minority candidates. A wrong decision would impact their own performance. Overcoming this risk aversion comes from having well-prepared candidates from management programs, who are given opportunities within the organization to demonstrate competence, business acumen, and decision-making skills. Subsequent promotions are based on performance only.*

## Improving the Diversity Climate in Your Organization

The research we conducted on more than 1,600 participants suggests possible programs and practices that can help you improve the diversity climate in your organization. One key approach is to target minorities' perceptions of the racial climate within your organization. Surprisingly, varied responses were given to the statement, "Race relations within my organization are good." Overall, 85 percent of the Whites—compared with 46 percent of the Blacks and 66 percent of the Hispanics and Asians—agreed with the statement.

What could account for such large differences among the race/ethnic groups? One factor is that Whites are often located in organizations that are not diverse. For example, in this study, 76 percent of the Whites

indicated that a majority of their organization was White, 20 percent said it was composed of various race/ethnic groups, and only four percent said they work in predominantly minority organizations. In contrast, 56 percent of Blacks work in predominantly White organizations, 15 percent work in mixed race/ethnic organizations, and the remaining 29 percent work in minority-dominated organizations.

Despite the variation in the demographic makeup of organizations, there are certain policies and programs that can have an immediate effect on encouraging minorities to join and advance. Several of these policies and programs are highlighted on the next two pages.

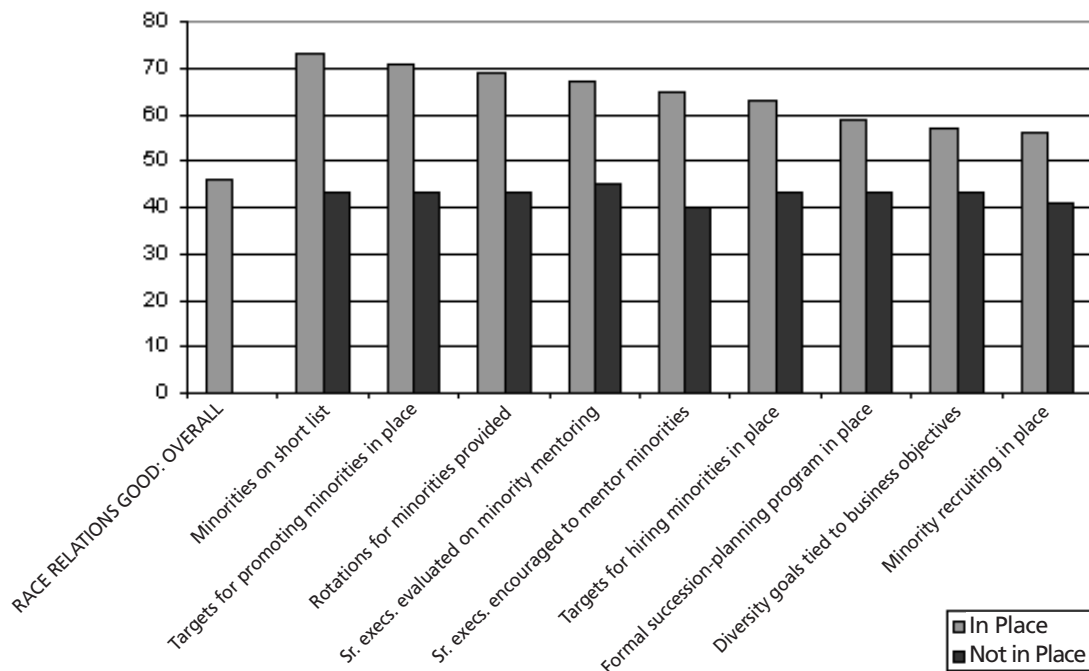
## Improving Blacks' Perceptions of Race Relations

Figure 1 illustrates the effectiveness of some of these policies for Black executives. Overall, only 46 percent of Blacks said race relations in their organizations were good. But that number rose to 73 percent for Blacks who work in organizations that require a minority candidate to be on the "short list" when recruiting for senior-level positions. In addition, 71 percent of Blacks in organizations that set targets for promoting minorities stated that race relations in their organization were good.

Other policies and practices that seem to elicit positive responses from Blacks about race relations in their organizations include providing rotations for minorities; encouraging senior executives to mentor minorities and evaluating them in part on whether they do; setting targets for hiring minorities; having formal succession-planning policies in place (not necessarily tied to minority succession); tying diversity goals to business objectives; and recruiting minorities.

**Figure 1: How Organizations Can Enhance Race Relations for Blacks**

*Percent responding affirmatively to the statement, "Race relations in my organization are good."*



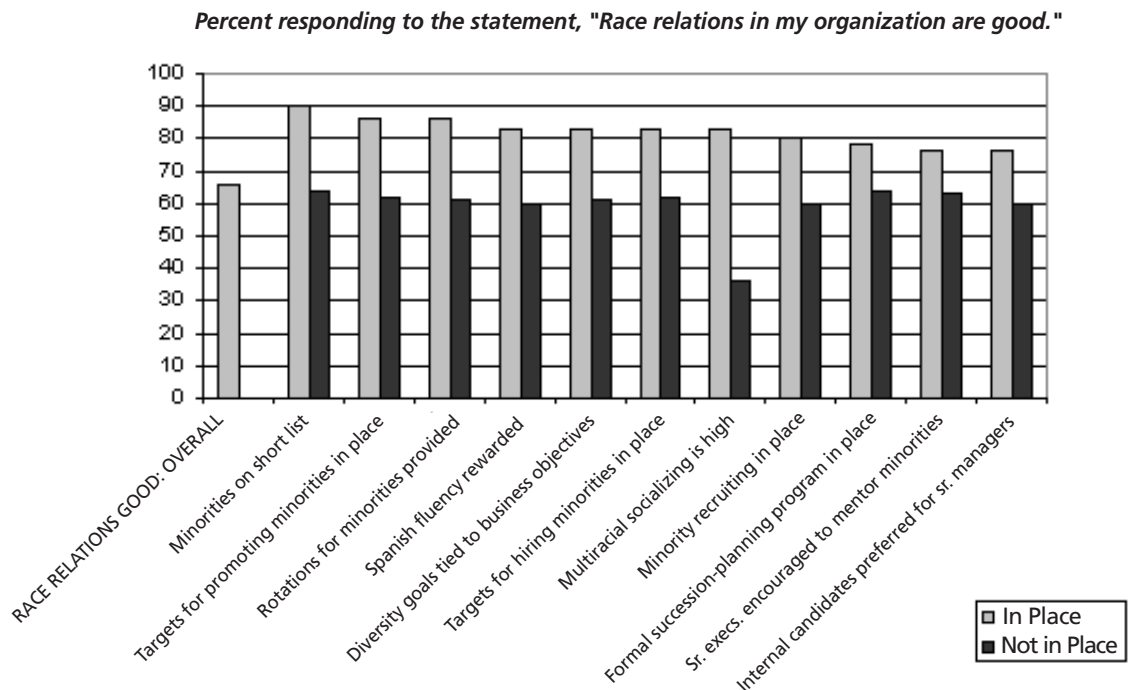


## Improving Hispanics' Perceptions of Race Relations

A higher proportion of Hispanics evaluated the race relations in their organization as good—fully two-thirds said this was the case. But as was true for Blacks, a number of policies correlated with significantly higher ratings of race relations. As was true for Blacks, the most important single action that enhances Hispanics' perception of positive race relations is to require that a minority candidate be on the short list for senior-

level executive positions. As illustrated in Figure 2, other important factors are setting targets for promoting minorities; providing rotations for minorities; rewarding fluency in Spanish; tying diversity goals to business objectives; setting targets for hiring minorities; multiracial socializing; recruiting minorities; having formal succession-planning policies in place (not necessarily tied to minority succession); encouraging senior executives to mentor minorities; and having policies that favor internal candidates for senior-level management positions.

**Figure 2: How Organizations Can Enhance Race Relations for Hispanics**



## Cox's Model for Creating the Multicultural Organization\*

In addition to policies and programs that you can implement immediately to enhance the diversity climate in your organization, you can also consider a longer term approach that was designed by sociologist Taylor Cox. Cox's approach involves five main elements to implement a culture change toward enhancing diversity in your organization. Each element is necessary and needs to be carried out with commitment and courage.

### 1. Leadership

As the CEO, you are responsible for setting the agenda for change in your organization. Without your commitment—as evidenced by including diversity in your vision statement, articulating diversity goals, and motivating others—the change will not happen. This will require you to be personally involved, have a communication strategy, and integrate your vision into various organizational functions. Some proactive steps you can initiate are:

- Take primary responsibility—along with the heads of the main operating units—regarding diversity initiatives.
- Provide diversity consultants with direct access to you and/or other heads of the main operating units.
- Write down what “success” means to you in creating a multicultural organization. (This might encompass what types of individuals are at the various levels of the organization, what it means to be assimilated into your culture, who is included in informal networks and mentoring programs, etc.)

- Show passion for the diversity objective in communications articulating the rationale for diversity and in other activities.
- Include diversity competence as part of your organization's appraisal system.
- Consider creating a diversity task force (which should have a sunset provision).
- Integrate diversity efforts with the organization's overall strategy—leaders should be able to indicate how diversity will help achieve goals.
- Develop mechanisms through which communication about diversity can be shared with various work groups.

### 2. Research and Measurement

These are two functions. Research involves setting an action agenda by investigating the existing situation and relationships. In contrast, measurement involves collecting new data to document the change that is occurring. Thus, initially you need to conduct research to understand the demographic makeup and attitudes of your employees—including showing correlations between race/ethnicity and attitudes. Then, based on what you've learned and your change methods, you will need to measure changes over time.

### 3. Education

Perhaps one of the most disappointing areas in the history of efforts to effect change toward multiculturalism is in the area of education. Nevertheless, properly conducted, education is an essential component for

\*Cox, Taylor, Jr., 2001. *Creating the Multicultural Organization: A Strategy for Capturing the Power of Diversity*. San Francisco: John Wiley & Sons.

organizational transformation. For education to be effective, leaders need to develop a theory of how diversity impacts their organization. For example, you need to understand how new recruits are acculturated, how people are managed, and what types of conflicts occur between race/ethnic groups. Based on your findings, you can form a curriculum that develops diversity awareness and sensitivity. Consider the following strategies when developing your curriculum:

- Develop your own curriculum rather than using a canned program. Organize it around issues salient to your workforce—perhaps showing special challenges for various race/ethnic groups, genders, and persons with disabilities. Or, organize the program around such issues as work/life expectations, conformity, and customer service.
- Consider three types of learning: (1) consciousness raising, (2) providing new information about diverse groups, and (3) actions to promote diversity appreciation.
- Arrange for sequenced events rather than one-day marathons.
- Use a variety of teaching tools: videos, case studies, small-group discussion, mini lectures. Be certain that the session leader summarizes the intended learning points from all these methods.
- Share up front what the objectives of training sessions are. Be sure to tell participants if they will be asked to share their own experiences and, if appropriate, assign pre-session readings or completion of assessments.
- Consider hiring an external consultant to train your staff initially. The consultant with a well-developed base of knowledge on managing diversity can be asked to develop in-house expertise to help address ongoing issues.

#### **4. Alignment of Management Systems**

This step involves aligning diversity objectives

with human resource practices, including recruitment, promotion, evaluation, and training, as well as issues such as scheduling and workspace requirements.

Here are some specific ideas for addressing diversity through the human resources function:

- Develop interview questions that ask for information about diversity competency, e.g., “Tell us about a time you worked with a person of a different (category) ... What was it like? How did you feel?”
- Consider who is asked to recruit senior-level managers. Who represents the organization to external groups?
- Include a discussion of your organization’s commitment to diversity in employee orientation.
- Link new hires to a coach or a mentor. Minority recruits often benefit most from non-minority mentors or coaches.
- Obtain performance ratings segmented by race/ethnicity, gender, and age. Consider education or experience as explanations for differences, as well as factors in the work climate that may make it more difficult for the subgroup to perform well. Lastly, consider discrimination as a possible explanation for differences if these are evident.
- Monitor the profiles of succession-planning candidates relative to diversity and determine if possible successors are diversity competent.

#### **5. Follow-Up**

Once you have initiated your diversity program, you must hold yourself and others accountable for results, using continuous monitoring to develop more and more focused approaches to change the culture. Suggested strategies include keeping score relative to goals set, evaluating goal achievement by simple observation, publicizing successes, and motivating others through monetary rewards, group or individual recognition,

## **A Final Caveat—The Learning Curve Is Quite Flat**

and opportunities for advancement.

To help avoid future feelings of frustration relative to your diversity initiatives, you need to divest yourself of the belief that organizational competence in diversity management can be completed in a year or less. Cox has observed that the learning curve is much flatter and that it may take five or more years of concerted effort to alter an organization's culture. Because

changing culture takes so much time, leaders often become impatient and discouraged, and ultimately dismiss their initial efforts. Or, if organizational leaders change, and there is a lack of commitment by the new incumbents, diversity may again get little attention. Ultimately, it will require a constant commitment for a considerable period of time to guarantee equal tolerance and opportunity for all employees.

TABLE 1

MEDIAN AND PREDICTED MEDIAN TOTAL COMPENSATION  
CONTROLLING FOR EDUCATION AND YEARS OF EXPERIENCE

	FEMALES					MALES				
	<u>Black</u>	<u>White</u>	<u>Hispanic</u>	<u>Asian</u>	<u>Native American</u>	<u>Black</u>	<u>White</u>	<u>Hispanic</u>	<u>Asian</u>	<u>Native American</u>
Median <sup>2</sup> (\$)	79,800	104,000	80,500	71,300	61,100	98,800	121,400	103,700	86,600	84,800
n	(271)	(374)	(78)	(48)	(27)	(217)	(350)	(123)	(63)	(37)
Median controlling for education and experience <sup>3</sup>	87,200	104,500	99,100	1	1	122,600	120,200	115,200	1	1
n	(261)	(367)	(72)			(209)	(339)	(118)		

1 Too few observations to model.

2 Respondents did not state their exact income, but assigned themselves into income brackets. This 'interpolated median' estimates the median (50th percentile) from the percentiles of the brackets on either side of the median. For example, if the \$60,000-\$75,000 bracket were at the 40th percentile, and the \$75,000-\$90,000 bracket were at the 60th percentile, the 50th percentile would be estimated as midway between \$75,000 and \$90,000, and the 'interpolated median' would be \$82,500.

3 To standardize the results for the other groups onto the education/experience distribution of Whites, cases from the other groups were reweighted to force the education/experience distribution for the gender/ethnicity group to be equal to that of the distribution for the White female or male respondents. To do this, cross tables of education by experience were computed for men and women of each racial/ethnic group. Then, cases in each of the six minority gender/ethnic combinations were reweighted so that their education/experience cell frequencies matched the cell frequencies of White men or women respectively. Where there was a higher proportion of Whites in the education/experience cell, the case weights were greater than 1; where the proportion of Whites was lower, the case weights were less than 1. When cases in either the White or minority groups had no counterparts in the corresponding cell for the other group (a cell frequency of zero), they were combined with cases in nearest-neighbor cells as necessary to allow weights to be computed. Interpolated medians were then computed for the weighted cases.

TABLE 2

JOB SATISFACTION (percent satisfied or very satisfied)

	FEMALES					MALES				
	<u>Black</u>	<u>White</u>	<u>Hispanic</u>	<u>Asian</u>	<u>Native American</u>	<u>Black</u>	<u>White</u>	<u>Hispanic</u>	<u>Asian</u>	<u>Native American</u>
Pay and fringe benefits	42	67	59	57	56***	48	68	60	62	67***
n	(256)	(370)	(76)	(46)	(27)	(211)	(339)	(118)	(60)	(36)
Security	60	79	68	72	70***	69	76	71	75	69
n	(257)	(370)	(76)	(46)	(26)	(211)	(339)	(118)	(60)	(36)
Sanctions and treatment received when mistake made	53	76	65	57	65***	58	73	66	60	51***
n	(255)	(368)	(36)	(46)	(26)	(210)	(338)	(116)	(60)	(35)
Supervisor's respect	65	79	74	67	70**	71	83	77	73	69*
n	(255)	(368)	(76)	(46)	(27)	(206)	(336)	(118)	(59)	(36)
Subordinates' respect	77	89	84	69	76***	82	92	91	84	69***
n	(244)	(357)	(70)	(39)	(25)	(206)	(335)	(115)	(56)	(35)
Autonomy	79	86	78	80	78	83	89	86	90	89
n	(257)	(370)	(76)	(46)	(27)	(212)	(338)	(117)	(60)	(35)

\*Chi-square significant  $p < .05$

\*\*Chi-square significant  $p < .01$

\*\*\*Chi-square significant  $p < .001$

**TABLE 3****POSITION BY RACE/ETHNICITY<sup>1</sup>**

	FEMALES					MALES				
	<u>Black</u>	<u>White</u>	<u>Hispanic</u>	<u>Asian</u>	<u>Native American</u>	<u>Black</u>	<u>White</u>	<u>Hispanic</u>	<u>Asian</u>	<u>Native American</u>
CEO	11	13	9	9	12 ***	19	37	23	11	32 ***
COO/Senior Vice President	15 } <sup>26</sup>	27 } <sup>40</sup>	16 } <sup>25</sup>	15 } <sup>24</sup>	16 } <sup>28</sup>	25 } <sup>44</sup>	25 } <sup>62</sup>	24 } <sup>47</sup>	23 } <sup>34</sup>	14 } <sup>46</sup>
Vice President	19	28	24	17	8	24	19	23	20	16
Department Head	39	19	32	34	44	22	10	20	31	30
Department Staff/Other	17	14	20	26	20	11	9	10	15	8
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
n	(266)	(381)	(76)	(47)	(25)	(216)	(355)	(123)	(65)	(37)

\*\*\*Chi-square significant p&lt;.001

<sup>1</sup>Responses may not total to 100 due to rounding.**TABLE 4****CAREER ASPIRATIONS TO BE A CEO (percent affirming)**

	FEMALES					MALES				
	<u>Black</u>	<u>White</u>	<u>Hispanic</u>	<u>Asian</u>	<u>Native American</u>	<u>Black</u>	<u>White</u>	<u>Hispanic</u>	<u>Asian</u>	<u>Native American</u>
In 5 years	14	17	16	13	15	26	45	32	23	30 ***
n	(257)	(364)	(74)	(46)	(26)	(211)	(344)	(121)	(65)	(33)
In 10 years	16	17	11	9	8	27	44	34	25	32 ***
n	(241)	(349)	(72)	(46)	(24)	(207)	(328)	(119)	(63)	(34)
In 15 years	15	14	13	13	14	27	33	36	37	16
n	(227)	(338)	(69)	(45)	(22)	(189)	(312)	(117)	(59)	(32)

\*\*\*Chi-square significant p&lt;.001