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TITLE: Controlling management to deliver diversity and inclusion: Prospects and limits

RUNNING HEAD: Noon & Ogbonna

KEYWORDS: diversity, inclusion, manager agency, management discretion, performance  
management, behavioural control

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## **Controlling management to deliver diversity and inclusion: Prospects and limits**

### **Abstract**

This paper explores the attempts by executives in an organisation with a strategic business case for diversity and inclusion (D&I) to close the equality implementation gap – between what is espoused and what is achieved – through greater control over managers in order to direct their actions towards pro-diversity objectives with a specific focus on gender and ethnicity in the internal human resource development processes. Drawing on agency theory and exploring data from interviews with executives and senior managers in an exemplar case study (the UK division of a multinational professional services organisation), the paper shows how increased control through mandatory diversity training, diversity targets and diversity monitoring can push managers towards making progressive steps but is ultimately constrained by the need for management discretion. The actions and counter narratives by managers reveal the limits of control and expose tensions in an approach that combines attitudinal change with behavioural control. The agency of managers means the equality implementation gap can be reduced but never completely closed.

**Key words:** diversity, inclusion, manager agency, management discretion, performance management, behavioural control

## **Practitioner Notes:**

### *What is currently known*

There is a persistent equality implementation gap: the difference between what is intended and what is achieved.

Managers are partly to blame for the gap due to reluctance, recalcitrance and resistance.

Managerial discretion and self-interest explain the reasons for the gap.

### *What this paper adds*

Provides case study evidence of attempts by executives to close the gap by exerting control over managers.

Shows the deployment of three control techniques: mandatory diversity training, diversity targets and diversity monitoring.

Reveals the limited success, explained by contradictions in the approach.

Confirms the inevitability of the implementation gap, based on applying agency theory.

### *The implications for practitioners*

Aim to reduce rather than eliminate the equality implementation gap.

Use diversity control processes to gain traction through accountability.

Recognise that no single initiative will achieve diversity and inclusion goals, so adopt a variety of training and process interventions which take into account the self-serving tendencies of managers and acknowledge pre-existing differences in the propensity for discriminatory or non-discriminatory behaviour.

## **Introduction**

The role of managers in the equality implementation gap has been identified by researchers as a persistent obstacle in achieving diversity goals. For example, Kirton et al. (2016) reveal how, despite the rhetoric and emphasis by senior managers on diversity, managers lower down the hierarchy half-heartedly and reluctantly engage with the diversity agenda. Previous studies have noted factors that might contribute to the lack of manager engagement, in particular, the increasing people-management burden of line managers, the confusion over the terminology and distinctions between equality and diversity, the complexity of the regulatory framework, and competing tensions and priorities in managerial work (Cornelius et al., 2001; Creegan et al., 2003; Cunningham and James, 2001; Dickens, 1999; Foster and Harris, 2005; Liff, 1997, 1999; Zaroni and Janssens, 2004). The accumulated evidence suggests that the central problems are twofold. The first is getting commitment to pursue diversity and inclusion from the top of the organisation. The second problem is one of management agency, or more specifically, that managers can choose to act in ways that are not always in line with organisational diversity objectives or policies (for example, Collinson et al., 1990; Noon et al., 2013; Schneider and Northcraft, 1999; Van den Brink et al., 2010). This paper makes a contribution to the second of these problems by focusing on an organisation where its executives are publicly committed to diversity and inclusion. In such an organisation we might be most likely to find evidence of our central research question: what processes of control can be deployed intentionally to constrain the agency of managers in order to direct their actions towards strategically desired diversity objectives? In exploring this question, we need to look at the implemented processes and the intended and unintended consequences, including the counter-veiling limitations to control enacted through the agency of managers.

We adopt an inductive research design in an exemplar case study known for its executive level commitment to diversity for strategic reasons, and with a specific focus on gender and ethnicity in the internal human resource development processes. The potential strategic value of diversity (for some organisations) is established in the literature and relates to specific gains from having a more diverse workforce: creativity, productivity, profit, market share (customers) and market opportunities. These arguments for diversity were first made by Copeland (1988), Cox and Blake (1991) and Thomas (1990), and later explored empirically by, for example, Armstrong et al. (2010), Herring (2009) and Kochan et al. (2003). This valuing diversity orientation of some organisations is identified as a logical step away from legal compliance towards the multicultural organisation (Cox, 1991, 1993) that treats employee diversity as both inevitable and an opportunity because it internalises ‘differences among employees so that it learns and grows because of them’ (Thomas and Ely, 1996: 86). Consequently, diversity becomes a strategic priority for such organisations (for example, Thomas, 2004) and a source of competitive advantage (Wright et al., 1995) or even sustained competitive advantage (Richard, 2000). This strategic-priority approach provides the focus of our research because, in circumstances where there is a recognised business need for diversity, we can see how executives might limit management agency in order to resolve the implementation gap noted above.

The paper is structured as follows. First, we outline the role of management discretion in relation to diversity and inclusion, drawing on relevant empirical work and locating this within agency theory to explain the key elements of our investigation and identify the diversity control processes to be explored. Second, we explain the rationale behind our decision to take a case study approach with a focus on executives and senior level decision-makers and we describe the research methods used. Section three presents the findings structured around the diversity control processes, and the fourth section discusses the contribution relation to the

central issue of management agency. The remaining sections discuss the implications, note the limitations of the research, and draw a conclusion.

### **The problem of management agency in managing diversity**

Management action or inaction lies at the heart of diversity programmes, and the importance of securing management buy-in is well-established in the literature (for example, Cornelius et al., 2000; Gilbert and Ivancevich, 2000; Greene and Kirton, 2009). A rich vein of empirical work stretching back decades has evidenced how managers can inhibit, resist, neglect and undermine equal opportunity and diversity initiatives (for example, Cockburn, 1991; Collinson et al., 1990; Jewson and Mason, 1986; Liff and Dale, 1994; Noon et al., 2013; Van den Brink et al., 2010; Webb and Liff, 1988). Managers need to be convinced that diversity management is worth expending effort on, given their other operational commitments (Greene and Kirton, 2009; Liff and Cameron, 1997), and a key component is the well-established tenet that *diversity is of value to the business*. On this line of argument, Cox and Blake (1991) were the first to draw the distinction between the ‘inevitability of diversity’ (a business need due to cost and resource acquisition) and the ‘value-in-diversity hypothesis’ that focuses on the net added value brought about by diversity. Subsequently, researchers have used the distinction to differentiate approaches to diversity, for example, Janssens and Zanoni’s (2005) types of service organisations.

A version of Cox and Blake’s categorisation is developed by Kirton et al. (2016) to explore how valuing diversity (through requiring and having a more diverse workforce) can be conceptually separate from specifically recognising and measuring the added value generated by that workforce. This separation helps explain some of the subtleties of the implementation gap between what senior managers sought to achieve and what middle and line managers

delivered. Kirton et al.'s case study is a salient example of how management agency (particularly through lack of engagement) can inhibit progress towards greater diversity, yet this does not lead the authors to argue for sanctions against errant managers because "organisations cannot force people to value diversity" (2016: 334). This places the choice of actions by managers above organisational diversity objectives, so at issue in Kirton et al.'s account, as in others (for example, Cornelius et al., 2001; Foster and Harris, 2005; Ogbonna and Harris, 2006; Zanoni and Janssens, 2004) is the extent of management discretion.

The empirical evidence for an implementation gap is theorised as the dilemma of management participation by Schneider and Northcraft (1999). It occurs because there are disincentives for managers to act in the interest of the organisation rather than their self-interest. The reasoning is as follows: first, managers are likely to be more inclined to select, support, mentor and promote those who are similar to themselves – the twin processes of similarity attraction (Byrne, 1971) and homosocial reproduction (Kanter 1977); and second, managers are likely to believe homogeneous groups/teams are easier to manage because of simpler communications, lower conflict and greater goal congruence. While recognising that individual motivation to discriminate may differ and may be influenced by multiple contingencies (see Brief and Barsky, 2000), managers commonly find that there are short-term advantages of not acting in the interests of diversity because 'The costs of diversity to managers are (apparently) certain and immediate, while the benefits are likely to take time to develop, if they are to be realized at all' (Schneider and Northcraft 1999: 1453).

From a broader theory perspective, this specific dilemma is an example of one of the central problems of control in any form of agency relationship, and it can be applied within the organisation to various forms of inter-management relations (see Eisenhardt 1989). In agency theory terms, it has two components. First, there is 'moral hazard' whereby managers (as agents) might choose not to pursue the objectives of the senior executives (as principals) but



instead focus on issues they deem to be in their direct self-interest, such as internal politics, short-term goals, convenience, working relationships and alliance building. This does not necessarily mean that all such action should be seen as oppositional in intent or effect to the objectives of the principal, but ‘the principal may never know the full extent to which interest divergence, convergence, and opportunism are present at a particular moment in a dynamic principal–agent relationship’ (Wiseman et al 2012: 217). To reduce the risk of deviation by managers from the senior level objectives, there is consequently a logic to introducing controls over management action. Control might be achieved through clear specification of objectives and compensation structures, but for imperfectly specifiable objectives this needs to be combined with guidance and monitoring (Davis et al. 1997; Hendry 2002). The second component is ‘adverse selection’ where the agent has misrepresented or overstated their abilities, and these cannot be completely verified (especially where they are dependent on behaviour traits or attitudes). Again this requires the introduction of controls, particularly information systems that monitor agent behaviour (where this is a requirement for the delivery of desired outcomes) and agent training to limit the scope for underperformance and redress incompetence (Eisenhardt 1989; Hendry 2002).

Applying agency theory to diversity management places a focus on the control processes through which the most senior executives direct the actions of their senior management subordinates towards the strategic diversity goals. In other words, those processes that executives can put into place to mitigate management action arising from self-serving intentions or problems of competency. Three forms of control in particular are highlighted in agency theory: specified objectives and guidance (communicating an understanding of senior level objectives, especially where they are complex and value based), training (to improve technical competence, awareness and understanding for achieving objectives, therefore mitigate adverse selection) and monitoring (for evaluation of outcomes against objectives and

mitigate moral hazard). In our analysis, we transpose these to the diversity management context: diversity target setting; diversity training; and diversity monitoring. We describe them as diversity control processes, and we deploy them as categories for guiding our interviews and organising the themes emerging from our interview data. Agency theory identifies the central tension between the need to maintain control in order to direct management action towards the principal's objectives, and the need to allow managers the freedom to use initiative and judgment in meeting those objectives. Our analysis explores this dynamic through examining evidence within the interview data across the three diversity control processes of the attempted limitation of management discretion and the enacted agency of managers revealing the limits to attempted control.

## **Methods**

The empirical evidence comes from a case study; an approach chosen to allow an in-depth understanding of the views of executives and senior managers whose perspectives are less likely to be explored in contemporary, academic-led, diversity research (Kulik, 2014). We wanted to focus on an exemplar organisation: an extreme case where we knew there was publicly-stated, board-level commitment to diversity and where we might assume there would be a vested interest in ensuring managers deliver on this. A qualitative, case-based approach is commonly recommended for such inquiries (see Eisenhardt and Graebner, 2007; Siggelkow, 2007; Yin, 1994). To select an exemplar, we looked for organisations whose publicly-stated diversity aspirations appeared to be aligned with the integration and learning perspective specified by Thomas and Ely (1996) and consistent with the proactive (strategic response) category for managing diversity described in a typology by Dass and Parker (1999). These strict criteria narrowed our search considerably, and we used the UK professional HR press to identify possible high-profile organisations. We identified Proserv (the pseudonym for our case study) and four other organisations that were suitable, then a large amount of publicly available

information on the organisations, particularly reports, company publicity materials and articles in professional magazines and newspapers. We received a positive response from Proserv to discuss our proposal and our initial 80-minute meeting with two executives combined detailed discussion of the company's philosophy and approaches to managing diversity and inclusion. Proserv is a large, professional services, multinational organisation which employs over 200,000 across the globe. The nature of the organisation makes it difficult to provide contextual information without revealing its identity, however it is a leading provider of specialist professional services, including consulting, to private, public sector and non-governmental agencies. Senior executives believe that its culture and approach to managing people distinguish Proserv from its competitors.

The two Proserv executives granted us access subject to limitations on the number of interviewees. We sought to explore the perspectives of key strategic informants on diversity and inclusion, including board level executives from the UK division of this large organisation. We requested interviews with senior level decision-makers who had a specific responsibility either for driving forward the diversity agenda or who played a key role in the implementation and delivery of changes to the diversity programme. We use the labels 'executives' and 'senior managers' to distinguish between the levels in the management hierarchy. Executives comprise the highest levels of strategy making in the case organisation and include members of the executive board and heads of strategic business units; senior managers are the first layer down with operational responsibility for the implementation of strategies.

Our purposive sample of interviews was split into two phases, separated by 12 months. In phase one we wanted to understand the rationale and strategic thinking behind the diversity programme at Proserv, so we interviewed 13 executives, including two board members and 11 heads of strategic business units. In phase two we moved down a tier to interview 12 senior managers that we knew had been exposed to the D&I initiatives revealed by phase one. We

interviewed men, women, Black and minority ethnic (BME) and white managers to include a variety of standpoints (see table 1). Many of the senior managers we interviewed had been promoted from lower managerial positions and some indicated that they joined Proserv as entry level officers, with four joining as graduate trainees. This means that our informants had a spectrum of knowledge and understanding of the dynamics of different hierarchical positions in the organisation and were able to draw on a wide range of experiences and insights in their responses.

[insert Table 1]

We conducted semi-structured interviews lasting between 60 and 90 minutes, guided by lines of inquiry derived from scoping interviews when negotiating access and reflecting our core concern with the diversity control processes and management agency: the rationale for the organisation's approach to diversity and inclusion; the diversity training programme; the forms of control and measurement being implemented; and the effects of and reactions to these changes. Given the key informant approach and our purposive sample, issues emerged during the interviews that were specific to the particular informant because of their role or responsibilities, thus new lines of questioning arose in an expected, inductive fashion as the interviews progressed. All the interviews were recorded and were subsequently transcribed verbatim to aid the process of analysis.

We needed to be flexible because our interviewees had extremely busy schedules; over half the meetings were re-arranged, sometimes at very short notice. Frequently our interviewees' previous meetings overran so, while waiting, we had opportunities to speak informally to staff about their experiences of working in the organisation. We followed best practice recommendations (Lincoln and Guba, 1985) by making field-notes on the informal conversations and observations and holding debrief discussions at the end of each chunk of

fieldwork where we shared our thoughts on the emerging issues and themes. Finally, we drew on publicly available company information and documents provided to us by some of our interviewees to clarify Proserv's policies and interventions.

To analyse the interviews, we coded segments of the transcribed interview texts based on a range of deductive issues, including the three diversity control processes and sub-components. Next, we reread the transcripts, further coded the text based on emergent issues and repeated this through several iterative cycles to saturation point. The two waves of interviews generated two phases of analysis. During the first phase, themes of control dominated our analysis. In the second phase, an array of issues emerged indicating tensions and counter-narratives to the control themes. We reread all the transcripts and coded for 'agency' where the interviewee talked about aspects of management action, choice, freedom and discretion. We then intersected the diversity control process codes with the agency codes to produce clusters of text chunks, which provided the core data for developing the arguments of this paper.

### **Findings: Exploring elements of diversity control**

Proserv makes a bold commitment to the values of diversity and inclusion through its website. It was one of a select group of organisations invited to participate in the UK Government-sponsored initiatives on EDI and is a founding member of a nationally recognised standard and assessment scheme on diversity and inclusion. One indication of Proserv's vanguard position in EDI is the recognition and awards it has received. At the time of our study, it was ranked as one of 'Business in the Community Best Employers for Race', it was a 'Stonewall Top 100 Employer', one of 'Times Top 50 Employers for Women', a Top 10

‘Employer for Working Families’, a Top 50 ‘Social Mobility Employer’ and it held a Bronze award in ‘Disability Standard’.

Consistent with long-standing assertions about the necessity of c-suite leadership of diversity (Gilbert et al., 1999; Thomas, 1990), Proserv has board-level commitment with an executive board member leading diversity and inclusion (D&I) as part of their remit. Responsibility is cascaded down the organisation with specific managers at all levels being tasked with D&I leadership for their areas. In addition, there is a group of professional D&I staff leading initiatives and providing support. Significantly, D&I is recognised through this structure as an essential part of all areas of the organisation that needs to be considered when resourcing (external and internal recruitment), pipeline planning (development and promotion) and revenue generation (building teams to win and deliver client contracts). Although there is much publicity material about the CEO and executive team’s belief in the moral case for diversity and inclusion, our interviews confirmed the organisation’s central business case for diversity is ‘client need’.

To substantiate whether diversity mattered to clients, the Proserv board commissioned an internal analysis using an extensive database of over 30,000 of their service contracts. The results revealed that mixed gender teams had higher client satisfaction, higher margins for profitability and higher retention of team members. According to the Director of D&I this led to an important ‘internal conversation’ about the commercial imperative for diversity because it provided an evidence base to underpin the rhetoric. The resultant two lines of reasoning for promoting diversity – winning contracts and delivering on contracts – are illustrative of the ‘value in diversity’ approach whereby greater diversity is identified with competitive advantage. The strong business case was embedded into practice with a system of ‘educate and measure’; an approach well suited to an organisation reliant on highly-skilled, human capital where career progression depends on quantifiable deliverables. The following analysis

explores the diversity control processes that underpin the educate and measure system: diversity training, diversity target setting with accountability, and diversity monitoring. These processes are discussed and supported with examples from the interviews, showing both the systems of control and the opportunity for management agency. For purposes of clarity, Table 2 summarises the key themes (in bold) emerging from the interviews, separating them into evidence of how managerial discretion is limited, and evidence of the agency of managers revealing the incomplete realisation of the intended diversity objectives. For each theme in Table 2 there are illustrative quotations to support the evidence presented in the text. The narrative that follows elaborates this findings summary, and the discussion section locates the findings within agency theory.

[insert Table 2]

### *Diversity training*

The story recounted to us by half of our interviewees was that the Proserv Board Chair and executive members considered D&I so important that they introduced a mandatory diversity training session for all managers, beginning with executives. The training was compulsory and lasted a full working day, which is significant because we were told that this had not previously happened for any non-regulatory initiative. Across two years, all executives and heads of strategic business units (around 200) participated in an intense session where they were required to question their own assumptions and approaches towards diversity and inclusion. One of the most powerful features, according to all our interviewees, was the exploration of exclusion from a group: how you might feel if you were excluded and how you might unintentionally exclude people. It was powerful because it was provocative. As one executive observed:

It's quite uncomfortable because I think most people start from the perspective of 'well it's not relevant to me because I'm not a racist and I'm not sexist, so it's someone else's problem' ... Whereas when you get into a proper conversation around it you realise that so much comes from subtle things such as, you know, I connect better with a fellow white male who's got a similar interest in rugby than I do with a female Muslim... I'm not doing that because I'm sexist or racist, it's just that I've got a stronger affiliation to someone the same colour and the same gender as myself. We take our leaders through that process to try and make the penny drop. [Board level executive, white male, 23 years service]

A second wave of training was a cascading process starting with senior managers. The magnitude of training about 1000 people means a scaled-down version (half a day) and a slower-paced roll-out, but it is still mandatory. In the words of the Board Executive responsible for D&I, 'you get chased until you've done it.' In our second wave of interviews we were able to capture the views of a sample of the first set of senior managers who had been through the training and we found confirmation about the persistence of the D&I team in ensuring participation and, as this quote illustrates, the positive value of the content of the training:

It tackled a number of sensitive issues ...The role- plays and scenarios were the most powerful I have experienced...It was also good because this was for everyone unlike other leadership programmes which groups us [BMEs] together... [Senior manager, BME male, 7 years service]

Others talked about the disruptive effect of the training because it took people out of their comfort zone, challenged values and attitudes, and made participants take the outsider's perspective. The only opportunity to resist the training that surfaced from the interviews was



the potential to delay it. Three managers indicated that ‘star performers’ and others who presented strong cases were often able to choose when they went on training and that many sought to defer it. For instance:

I know some colleagues who have not been on the programme....they use the excuse that their roles are so business-sensitive and they can't afford the time that is required for the training, so they keep deferring... [Senior Manager, BME Female, 8 years service].

Interviewees questioned the extent to which the lessons from the training were truly ‘learned’ and put into practice once faced with operation priorities, or how participants complied because of the mandatory nature of the training but did not internalise the messages about inclusion. A common view was that the training was good because it was challenging, but unlikely to be effective. As one manager powerfully expressed it:

If the training is so successful, how come there are still few BME managers at the top and why is it that many still find that they have to leave the organisation to progress in their careers? [Senior Manager, BME Female, 2 years service]

### *Diversity target setting*

Objective setting is an intrinsic part of Proserv’s performance management system, so diversity targets can be accommodated within this. The organisation-wide objectives covering recruitment and promotion for gender (30%) and ethnic minorities (10%) are stated on Proserv’s webpages and annual reports. This public commitment to aspirational targets was cited by many of our interviewees as evidence that Proserv is serious about making progressive change to the proportions of women and ethnic minorities at all levels in the organisation. The key instruments for directing managers towards organisational targets were the personal

performance targets of all executives and senior managers. Adopting a balanced-scorecard approach, executives and senior managers are required to deliver across a range of objectives aligned with business KPIs, among which there can be D&I objectives. While the mix will vary from manager to manager, the 'people' segment features in all individual scorecards of executives and senior managers, and the stated intention was to make the weight of D&I significant. In other words, the aim was to relate diversity targets directly to the performance of executives and senior managers.

Our analysis of the interviews suggested that there was disparity in the approach to performance targets and the application of rewards to direct management efforts in the pursuit of D&I. While there was widespread support for these initiatives, many senior managers were not convinced that the values and assumptions behind them had permeated across the top of the organisation. The comments of one executive indicated that the organisation still had some way to go to realise the objective of encouraging executives to take D&I seriously:

Historically if you put it [a diversity objective] on your end of year papers [...] people will read it and they sort of think, 'okay', but they'll never give it any regard, they'll never give it the real value. [Head of SBU, BME male, 7 years service]

Interviews with senior managers also revealed different interpretations of diversity targets. Although there was general support for the pursuit of targets, a number of interviewees expressed their dissatisfaction with diversity targets, with some viewing them as both difficult to achieve and having the potential to undermine managerial discretion to act in the best interest of their units. For example:

Say you want to get a target of 10% BME people and you have 10 really good candidates of whom one is BME. You are forced to bring in that one but you could have

other candidates who would be a better fit with your group. [Senior manager, white male, 5 years service]

In this regard, targets can have the unintended consequence of focusing efforts on one group in a way that requires additional targets to remedy any excesses:

I wouldn't like to have too big a target because that can have the opposite effect where people's motivation is to get the targets rather than get the right people into jobs...this can also lead to imbalance which means that you need to have more targets. [Senior manager, white male, 4 years service]

There were also examples of how managers sought to undermine the control that was imposed on them by invoking a 'business case' rationale for not following the policies designed to promote diversity. One manager argued that the organisation's targets on race and gender did not apply to him and that it was in the interest of the business for him to ignore the targets because:

We have a highly technical team here and you don't get many women and BMEs in this area of work...If I concern myself with meeting the targets, my performance will suffer. I know they value the targets but they value my financial performance more, so I worry less about targets...[Senior manager, white male, 6 years service]

Another manager indicated how targets can be applied selectively:

Very few ethnic minorities are attracted to work here so the focus for me is on gender...get this right and they'll be off my back [Senior manager, white male, 10 years service]

Overall, the executive interviews conveyed an impression that target setting was non-negotiable in Proserv but senior managers had considerable scepticism about the workability of the targets. The interviews also revealed that that senior managers had some influence over targets through the relative weight set for to diversity objectives compared with other deliverables on an individual's performance plan; the individual choice over the emphasis placed on balancing objectives; and the individual methods of delivering on objectives. However, concerns emerged about who could be included in the targets because while the diversity training emphasised authenticity and inclusivity of all, the diversity targets cascaded downwards tended to focus on gender and ethnicity. It is vividly expressed by this senior manager:

Our constant narrative is that we want you to bring all of your differences to work and have driven a lot of engagement through the employee networks. We talk a lot about the sense of belongingness, but what we measure is gender and ethnicity. So, the two messages: 'you can tell me until you're blue in the face that my disability matters to you, but you don't measure it'. So that's a tension. [Senior manager, white female, 16 years service]

The importance of measurement to ensure meaningful accountability permeated the interviews. Interviewees were eager to discuss what they perceived as the gap between the intention and the implementation of the scorecard system of controlling executives and senior managers to deliver diversity. Executives were adamant that linking performance to reward through the scorecard system would help in directing managers' attention towards diversity enhancing behaviours. For example:

I was at a meeting with the CEO and we were looking at how we were going to meet or not meet our D&I targets, of which there are many across the business... That was when I really

realised that this is something that we should be treating in the same way as any other business metric, it was important and needed to be delivered across the balanced scorecard. [Head of SBU, white female, 21 years service]

There was a view among some of the executives that managers, from the top downwards, are now more accountable for D&I and ‘failure to deliver potentially could hit their pocket’ [Executive, white male]. Conversely, there is also scepticism that such financial penalties would be incurred. This senior manager's comment illustrates the doubt:

I'm not sure of the extent they [executives] are held to account for failing to meet the target on diversity. So, it would be interesting to find out whether their remuneration is impacted meaningfully by failure to meet these targets. My understanding is that this is not the case. I think, once you link D&I to reward then I would expect to see more adherence to those targets. [Senior Manager, white female, 6 years service]

This theme of targets being only effective if linked to reward surfaced in both sets of interviews. The executives considered it deliverable through objectives, but senior managers reported that it was not in place and there were doubts as to whether it was workable in practice. Amongst both groups there were some reservations about the potential distorting effects, particularly linked to concerns that it might ultimately lead to instances of selection or promotion not on merit.

## *Diversity Monitoring*

Key to the monitoring process at Proserv is the systematic collection of gender and ethnicity data because they provide evidence of the demographic profile of the organisation. It also makes a central contribution in persuading all senior managers of the case for change and forms the opening component of the diversity training noted above. Monitoring by gender and ethnicity of recruitment proportions, promotions and attrition rates is conducted at all levels and for all departments. The data are used to benchmark and feed into target setting, so allow comparisons across the organisation. Divisional and departmental heads can be held accountable for progress against targets and discussions can be opened about why particular areas of the business are outperforming others in relation to the diversity metrics. As one executive argued:

When you have done your ratings and promotions [...] at the very least, it should be mirroring the population you've got or improving in terms of swinging the pendulum. What you shouldn't be doing is regressing so that, you know, if you got in a group of say 20 people - five women and 15 men - you can't then have five promotion candidates that are all men. A quarter have to be women so at least one or two have to be women, maybe if you have more it helps. [Head of SBU, BME male, 11 years service]

The monitoring of career progression at Proserv has become particularly important to the D&I agenda. The appraisal system was redesigned to reduce the vagaries inherent in the previous process in two ways. The first was the move from an end-of-year cycle to a rolling appraisal so that individuals received regular feedback on their performance. For example:

The appraisal change is linked to moving to much more contemporaneous feedback system, the quick feedback....You finish an assignment and we feed that back onto your

[performance] scorecard rather than wait for the yearly cycle...[Head of SBU, BME male, 13 years service]

The second and more substantive change was that it became focused on talent management and was designed to empower individuals to have formal annual conversations with their line managers in which they highlight their career aspirations. It is then the responsibility of each manager to agree with their direct reports how they can achieve their goals and the support that will be provided by the organisation. The line manager is also required to agree the key milestones that will be reviewed throughout the year. This agreement forms part of the individual's career management, and the achievement of the agreed objectives makes the individual eligible for promotion, thereby reducing line managers' discretion and making the process of career advancement more objective and transparent. Many senior managers commented on the positive aspects of this, 'because it allows you to have harder and more meaningful conversations throughout the year without being concerned about the impact on pay at the year end...[Senior manager, white male, 5 years service] and 'it is a lot harder to discriminate or to be biased because if they have done what was agreed then there is no other question...this is where transparency was lacking...[Senior manager, BME male, 3 years service].

However, underlying all these is the nature of the relationship between senior managers and their teams in everyday operational activities. Whilst senior managers may no longer be able to exert direct influence on the outcomes of individual appraisals, they remain important in the allocation of work and other opportunities that provide the platform for individuals to perform. Strategic projects which enhance an individual's visibility also increase their opportunity to receive merit performance payments. One senior manager's explanation of data which revealed that BME staff were less likely to receive performance bonuses attributed this

to managers choosing to give more and better opportunities to ‘white employees who then excel and get a disproportionate amount of the bonus pot’ [Senior Manager, white, female, 6 years service]

In addition, Proserv introduced a new system of monitoring D&I through counsellors who provide career guidance and ensure that individuals (their counselees) are treated fairly in the organisation. A counsellor is a senior manager from a different department who has been trained to adjudicate over matters relating to D&I. One senior manager used the example of two promotion aspirants to highlight how this works in practice to promote fairness:

One was White and the other was Chinese, and for reasons that I couldn’t understand, the Chinese person got a huge amount of pushback...I worked closely with both of them and I knew that the Chinese person was a much better candidate, but the white candidate was promoted...I made this a BME discussion point as the new process allows and a new panel was established which promoted the Chinese person as well.  
[Senior Manager, BME female, 7 years service]

While these developments allow closer monitoring of individual performance and the better identification of talent, they are premised on managers and counsellors regularly providing feedback to help career aspirants improve their performance and to prepare them for career progression. However, analysis of the interviews suggests that feedback is one area where considerable scope exists for managers to exercise their discretion and they can do this in ways that may be detrimental to the ideals of D&I. Although managers comply with the control imperative to ensure that ‘appropriate feedback’ is provided, there is no effective way of determining what constitutes such feedback. This opens up the potential for disadvantage because managers can choose to provide ‘filtered’ or ‘unfiltered’ feedback depending on their affiliation to career aspirants:



When you're giving feedback to someone who is demographically different to you, then you may not be so upfront and honest, and this means that individuals don't get the message and that impacts on their promotion opportunities. [Senior manager, white female, 6 years service]

## **Discussion**

The central tension emerging from the case is between the requirement for compliance with diversity objectives and the exercise of discretion by managers who might not prioritise these objectives. There is a consensus among the executive interviewees that D&I needs taking more seriously for strategic reasons and that more robust D&I processes need to be implemented at Proserv. We consider these to constitute a cluster of diversity control processes that take the organisation to a position where senior managers are experiencing reduced discretion over key aspects of the management of their direct reports. The greater control to meet the strategic D&I agenda is reflective of the problem of moral hazard in agency theory, whereby managers might neglect or ignore agreed strategic objectives for various reasons of self-interest. Also consistent with agency theory is the inevitable incompleteness of the control processes. The executives require the discretion of senior managers to implement strategy, and so managers have agency both to deliver or to undermine and resist D&I. This agency plays out in a range of ways - as detailed above – but here we can reflect more generally on its expression across the three diversity control processes.

**1. Diversity training.** The mandatory nature of the training might be construed as a limit to the control of managers because they cannot choose to opt out. In this sense it seeks to address the problem of adverse selection through increasing awareness of the D&I values of the organisation and self-awareness for the participants. It also conveys to participants

knowledge of the required behaviours so managers are aware of expectations. However, from the case evidence there is no particular reason to assume that Proserv training is likely to be more effective than other forms of diversity training, especially given that mandatory training can inhibit internalisation and lead to resistance and resentment (Dobbin and Kalev, 2016). Moreover, Proserv are still faced with the problem of moral hazard. By attending the training but either not accepting the messages of the training, or by accepting the inclusion principles but choosing not to put them into practice, managers would be enacting patterns of recalcitrance or resistance found to inhibit the effectiveness of diversity training (Bezrukova et al., 2016; Kalev et al, 2006).

**2. Diversity targets.** The attempt to mainstream D&I through the performance management system is an important step taken by Proserv, which aligns with the broader agency theory principle of controlling self-serving behaviours through defined objectives (Hendry, 2002). The explicit link between individual objectives and the D&I agenda is progressive, but the interviews also reveal its limitations. Within the system of objective setting there is considerable negotiation of priorities from both parties (the senior manager and their superordinate) and some scepticism as to whether the targets were as robust and deliverable as other parts of the scorecard. Proserv's cascaded target setting is somewhat limited in that it encourages focus on two measurable diversity characteristics (gender and ethnicity) rather than the sort of inclusivity behaviours covered by the training that managers experienced and which might extend to non-visible characteristics or beyond traditional categories to include, for example, neurodiversity.

**3. Diversity monitoring:** the formal requirement to use diversity data to inform decisions, requires managers to 'comply or explain' and introduces greater 'objectivity' regarding diversity into the decision processes at the end-of-year review panels for performance rating and promotion. Coupled with the career management system involving

counsellors, considerable control seems to be imposed on managers. Again, management agency is manifest in the ‘explanations’ of non-compliance and the practical implementation of career management that relies on the skills of counsellors (who are all managers), the career goal setting and the form and quality of feedback to those aspiring to be promoted.

In Perserv there seems to be two methods of resolving the problem of management agency in relation to D&I: on the one hand are the training interventions designed to realign attitudes; on the other hand are targets and monitoring designed to moderate behaviours. The problem is that the two sets of intervention might be incompatible. The strong narrative of inclusion in the diversity training, based on a ‘changing hearts and minds’ persuasive approach, jars with the strong compliance measures. Indeed, the mandatory nature of the training itself sends a powerful message of compliance. This is reflective of a broader tension: using the Ely and Thomas (2001) typology, there seems to a mismatch between the aspiration for an ‘integration-and-learning’ perspective in the diversity training, and a more pragmatic, business-case rationale based around meeting client expectations, expressed in many of the interviewees’ comments, which is more akin to the ‘access-and-legitimacy’ perspective. Moreover, changing attitudes is a slow, drawn-out process, unlikely ever to be complete, while the control of behaviour has a more pragmatic, shorter-term focus, better suited to delivering D&I outcomes and, arguably, better suited to closing the policy-implementation gap that we discussed at the start of the paper.

## **Implications**

The findings highlight the particularly challenging nature of achieving transformative changes on diversity and inclusion even when led from Executive level because of manager discretion that allows self-serving behaviour for instrumental reasons (as agency theory

predicts, Eisenhardt 1989). Consequently, controlling managerial action is vital, but it is unlikely to be achieved through a single, all-encompassing approach to D&I because this fails to recognise both the differences in the manifestations of discrimination and the varying individual motivations for inhibiting and engaging in prejudicial behaviours (Brief and Barsky, 2000). Consistent with implementation gap studies (eg. Kirton et al 2016) an important theme that ran through the Proserv case was the different levels of managerial enthusiasm for change initiatives that were designed to help them to manage their biases. While some managers expressed willingness to embrace change, others were indifferent, and some showed signs of resistance to the initiatives. An important implication for HRM and change managers in such contexts, as Brief and Barsky (2000) note, is to understand the multiple peculiarities of change targets (in this case executives and senior managers) including the similarities and differences in their individual dispositions and predilections as these will help to understand their pre-existing propensities to discriminate. While a framework can be established to direct management action (illustrated by the diversity control processes in this case) a range of organisational interventions are required (as Brief and Barsky, 2000, advise) and targeted differentially at modifying and regulating the actions of individual managers who differ in their propensity to accept and enact D&I.

### **Limitations and further research**

The single case study, although appropriate for our investigation, means we cannot generalise. The choice of an extreme case allows us to suggest we are exploring at the furthest edge of the issue in question – control over managers in relation to diversity – but does not tell us anything about ‘mainstream’ organisations. The limitations of a single case also need to be balanced against the value of researching D&I processes and reasoning at the senior levels of the organisation. Access to such senior level decision-makers regarding D&I is rare and desirable (as Kulik, 2014, notes) but for pragmatic reasons there is a relatively small number

of participants. However, valuable insights can be developed because of their key positions in determining management strategy and control processes.

Our focus on gender and ethnicity and our emphasis on intra-organisational dynamics through the interactions between executives and senior managers preclude exploration of wider dimensions of diversity as well as investigation of the impacts of contextual and multi-level factors. A relational approach that focuses on the inter-play of such contextual and multi-level influences might reveal additional insights into the complexities of diversity management in organisations (see Joshi and Roh, 2007; Syed and Özbilgin, 2009).

Our case study evidence shows there can be an association between the designation of diversity as a strategic priority and the introduction of processes of control that reduce aspects of management agency. This opens up the need for follow up research to evaluate the typicality of our case. The fact that we have found it once proves the possibility of a challenge to management agency for the purpose of meeting diversity objectives, but is our case an outlier? If so, is it capitalising on diversity to deliver a sustained competitive advantage (Richard, 2000)? If not an outlier, then is the association between the strategic need for diversity and systems of control over management agency part of a broader pattern? Are the tensions within the approach that we discovered a normal feature of organisations pushing the D&I agenda as a strategic priority? Such questions for further exploration arise as a result of the inductive case study work reported in this paper.

## **Conclusion**

This case study exploration of a strategic push for diversity and inclusion, led by the top tier of the management hierarchy, has revealed a mismatch between the powerful narrative of inclusion and winning hearts and minds through the disruptive persuasion in the mandatory

diversity training, and the strong compliance measures put in place with targets and monitoring. It epitomises the agency problem whereby senior managers need to be trusted to deliver on strategic objectives, but also controlled to prevent them pursuing self-serving interests. Agency theory explains the inevitable partial success of top down diversity initiatives attempted in organisations like Proserv. We find that management agency can be enacted at each point of control: mandatory diversity training is deployed to change attitudes but compliance with training does not mean that managers have internalised the messages. Targets and measurement processes are established to force pro-diversity behaviour change but managers express scepticism over target setting, coverage and effectiveness. Even the monitoring controls put into place through data collection and regulated career progression processes ultimately rely on the commitment and skills of those managers being monitored. The case shows how even bold attempts to regulate and direct the behaviours of senior managers towards pro-diversity and inclusion objectives can be constrained, countered and compromised. The inevitable agency of managers means the equality implementation gap might be reduced but never completely closed.

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Table 1: Number of interviewees by gender, ethnic group and management level

| Management level                                          | Male |       | Female |       | Total |
|-----------------------------------------------------------|------|-------|--------|-------|-------|
|                                                           | BME  | White | BME    | White |       |
| 1. Executive Board member                                 | 0    | 1     | 0      | 1     | 2     |
| 2. Head of Strategic Business Unit (reporting to level 1) | 4    | 2     | 1      | 4     | 11    |
| 3. Senior manager (reporting to level 2)                  | 4    | 3     | 3      | 2     | 12    |
| Total                                                     | 8    | 6     | 4      | 7     | 25    |

Table 2: Themes emerging from the data with illustrative quotations

|                                                                 | ATTEMPTED LIMITATION OF MANAGEMENT DISCRETION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | MANAGER AGENCY AND THE LIMITS OF CONTROL ATTEMPTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>DIVERSITY CONTROL PROCESS:<br/><b>Diversity training</b></p> | <p><b>Mandatory</b><br/><b>Extensive (top-down)</b></p> <p>“Diversity training is one of the items on the personal scorecard of every individual. We say to someone, we want you to attend this training and we can make sure they attend.”<br/>[Head of SBU, white female, 9 years service]</p> <p>“It was great to see that everyone was expected to have diversity training rather than just leaving it to the willing...Looking round the room and listening to what colleagues were saying, you could tell that many needed that training and needed to be challenged...”<br/>[Head of SBU, BME Female, 7 years service]</p> <p>“People at the very top of the chain are definitely speaking about diversity more so I think the training is working. What makes it good is that it was for everyone in the organisation...”<br/>[Senior Manager, BME Male, 4 years service]</p> | <p><b>Choosing timing/delaying</b><br/><b>Non-internalisation</b></p> <p>“I must confess I haven’t been on the training...I know they [executive team] want everyone to go but I have been very busy and I just haven’t found the time to do this.”<br/>[Senior manager, white male, 4 years service]</p> <p>“Mandatory diversity training is fine but they have to understand that it is not a quick fix...People get stuck in their beliefs and it is difficult to change them.”<br/>[Senior manager, BME Male, 8 years service]</p> <p>“When you go to many of these training events, you find that the only people that take them seriously are mostly people from BME communities. I know of many colleagues who will fix their diaries to avoid them...they’ll have every excuse under the sun .....”<br/>[Senior manager, BME Female, 2 years service]</p> |

Table 2 continued: Themes emerging from the data with illustrative quotations

|                                                                   | ATTEMPTED LIMITATION OF MANAGEMENT DISCRETION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | MANAGER AGENCY AND THE LIMITS OF CONTROL ATTEMPTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>DIVERSITY CONTROL PROCESS: <b>Diversity target setting</b></p> | <p><b>Priorities defined: gender &amp; ethnicity</b><br/> <b>Included in performance management system</b><br/> <b>Balanced scorecard requirement</b><br/> <b>Link to reward</b></p> <p>“We started with an objective of wanting to get gender and ethnicity right, so it was about making sure that every recruitment we have, irrespective of level, should have a good mix of male and female candidates and white and BME candidates. Everyone understands our targets on these because if you don’t get the process right, you start with a disadvantaged footing.”<br/>                     [Head of SBU, BME male, 11 years service]</p> <p>“We have our targets, our scorecard measures. I have quarterly meetings with all the major divisional services line heads around their diversity and inclusion agenda where we put data in the room... We also run an engagement index, people survey and we cut the data by gender and ethnicity so we are constantly monitoring to see where we can do better.”<br/>                     [Board level executive, white female, 21 years service]</p> <p>“As part of the performance process, everyone sets up an annual goal plan and you will find things linked to diversity ...so your reward will be in terms of how you are assessed on these at the end of the year.”<br/>                     [Head of SBU, BME male, 13 years service]</p> | <p><b>Variable weight of D&amp;I objectives</b><br/> <b>Individual choice of emphasis</b><br/> <b>Choice of methods of hitting targets</b><br/> <b>Distrust of performance-reward link</b></p> <p>“The problem is that diversity targets appear to be optional, especially for those executives that are not hitting them. There is no real evidence of sanctions for not hitting these targets...It seems that hitting sales targets continue to drive performance reward here.”<br/>                     [Senior manager, BME female, 8 years service]</p> <p>“Like all metrics, you have a standard of measurement which isn’t always equally ranked. The rewards for hitting your main performance targets are always higher than the D&amp;I rewards, and this can often skew individual behaviours.”<br/>                     [Senior manager, white male, 6 years service]</p> <p>“Targets are fine but you have to be careful and you have to put them in perspective...I work in a small team of five and we recruited two women in this group but they are right at the bottom. If you look at it, we have increased our gender representation significantly but this only tells half the story.”<br/>                     [Senior manager, white male, 10 years service]</p> |

Table 2 continued: Themes emerging from the data with illustrative quotations

|                                                                   | ATTEMPTED LIMITATION OF MANAGEMENT DISCRETION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | MANAGER AGENCY AND THE LIMITS OF CONTROL ATTEMPTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>DIVERSITY CONTROL PROCESS:<br/><b>Diversity Monitoring</b></p> | <p><b>Data trails/workgroup metrics Rolling appraisals Career management linked to milestones Counsellor system</b></p> <p>“We have a new appraisal system where we’ve removed performance ratings. Instead, we have a focus on 70 behaviours which come under the banner ‘gold standard’ and the system is based on feedback from a range of stakeholders that we feed into the individual dashboard with an algorithm behind the scene that gives a score...This is transparent because you can compare your score with your self-assessment and with your peer group and see where you are...”<br/>[Head of SBU, white female, 8 years service]</p> <p>“We recognise that some of this behavioural stuff is very difficult to manage, but what we do is, we ultimately link these to individual career success and we measure lots of outcomes in terms of performance and we can see how people fare at the end of the year.”<br/>[Head of SBU, BME male, 11 years service]</p> <p>“We have an important role called Counsellor and this person is there to challenge the process to make sure that the system is working well and that individuals are not discriminated against.”<br/>[Head of SBU, white female, 9 years service]</p> | <p><b>Potential to influence interpretation by evaluators; ‘explaining’ Variable skill of counsellors Form and quality of feedback</b></p> <p>“If you have someone you really want to keep for business reasons, and say they are outside the performance curve... you can make a case to the committee and put this through.”<br/>[Senior manager, white male, 10 years service]</p> <p>“You can put rules in place and train people as long as you want but no amount of these can stop people from doing things they see as protecting their own interest. Cultural differences often mean that white managers are reluctant to give direct feedback as they don’t want to be accused of discrimination... they go through the motion but they keep soft-peddling the feedback to protect themselves...”<br/>[Senior manager, BME male, 8 years service]</p> <p>“It often depends on who your Counsellor is...Some are very good, very confident... they know their stuff and will argue your corner and others will not want confrontation with anybody...”<br/>[Senior manager, BME male, 4 years service]</p> |