Using the Diversity Impact Navigator to Move from Interventions Towards Diversity Management Strategies

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Introduction

Until recently, research processes about *diversity management* (DM) and *intellectual capital* (IC) have been embedded in relatively autonomous discourses. This article explores the connection between these two research fields, seeking ways to improve the implementation of DM in companies. In doing so, it argues that DM is important for gaining competitive advantage in knowledge societies (1). This hypothesis could be especially applicable for DM in Austrian companies, which have largely followed an *episodic implementation* (2). An analysis of the Austrian experiences reveals many problems and limited acceptance in the engaged companies (3). Starting from this point, DM will be conceptualized as IC and thus it can profit by adopting IC measurement concepts (4). Discussing the implementation problems of Hubbard's existing Diversity Measurement Model (5), the paper proposes the *Diversity Impact Navigator*, a more convenient model for measuring and evaluating DM in companies (6). Next, positive test results of the model's implementation in three companies are described (7). Finally, the conclusion shares lessons learned and proposes questions for further research.

Only eight years ago, *diversity management* and *inclusion [1]* were academic issues in Austria and rarely discussed in businesses or with the Austrian public. Some pioneer researchers had just begun to study the subject (Bendl, 1997; Pircher and Schwarz-Wölzl, 2005). The situation has changed considerably, especially in the past five years. A Google search with the exact term "Diversity Management in österreichischen Unternehmen" (translation: diversity management in Austrian businesses) yields links to 3,500 web-pages. Many discussions are organized on DM; consultancies on intercultural and gender issues are booming. Several awards such as *meritus, Trigos* or *DiversCity* play a major role in the growing awareness of concepts of inclusive management activities (Hanappi-Egger, 2012, p. 177). In 2010 the *Austrian Diversity Charter* was founded and now consists of over 100 businesses (WKW, 2013; Wondrak, 2011). The number of studies on various aspects of *diversity* and *diversity management* continues to grow (Häuslschmid, 2006; Brunner, 2009; Bendl et al. 2010; Wroblewski et al. 2013).

Empirical studies conducted in Austria and other European countries reveal that differing societal settings significantly influence the development of DM and its application. In the United States, for example, anti-discrimination activities at the workplace contributed substantially to developing an elaborated understanding of DM. Affinity groups and affinitive actions are central in this understanding (Cox, 1991; Ely and Thomas, 1996; Alison and Deckop, 2001; Egan and Bendick, 2003; Dobbin et al., 2007). The implementation activities of DM in European countries do not operate in the wake of a Civil Rights Act. Rather, feminism, specific migration policies (guest-worker system) and the enlargement of the European Union have played significant roles (Hofmann, 2008; Segert, 2010).

Regardless of the different contexts of the theoretical DM discourse as well as in businesses with DM activities, research suggests that diversity management leads to competitive advantages for businesses (Cox and Blake, 1991; Aretz and Hansen, 2003; Krell 2004). Advantages resulting from DM include increased innovative ability, improved market access, employee loyalty and business image.

Episodic Implementation of DM in Austria

Academic literature indicates that DM appears equally necessary for economic and social responsibility reasons. Nevertheless, empirical studies on the implementation of DM reveal that many businesses have not yet gone beyond single interventions/measures in the field of diversity (EK, 2005; EK, 2008). A study on the status quo of DM in Austrian ATX[2] companies (Segert, Weghuber and Wondrak 2012, p. 7ff) stressed that most of the companies initiate diversity interventions, but usually lack a diversity strategy to systematically link their individual initiatives in this field with their core processes and business objectives. The study shows in detail that 87% of the respondents began individual measures to enhance their staff diversity and promote inclusion (Segert et al. 2012, p. 8). The emphasis is on recruitment (24%), talent management (20%), continuing education (15%) and work-life balance (15%). The most important diversity dimensions are sex (28%), ethnic background (24%) and age (24%). However, only 37.5% of the ATX companies have created a DM concept and a mere 18.8% say they will develop a concept in the near future.

According to Segert et al. (2012) the degree of institutionalization of DM can be measured by the DM-Institutionalization Index, which includes the following parameters: a DM concept, a department or responsible person for DM, a direct reporting line to the executive board and a DM measurement tool. The higher the Index, the more elaborate the company's institutionalization of DM is. The average for the DM-Institutionalization Index in the ATX companies is 1.5 with a possible maximum of 4.

Based on Dass and Parker's classification system, the authors considered their findings of a minimal strategic alignment in Austria towards diversity initiatives as resulting from an “episodic implementation” of DM (Dass and Parker, 1999, p. 69; Segert at al., 2012, p. 7). Austrian companies have mostly responded to changing sector and branch-specific labor markets instead of proactively developing policies in cooperation with various internal and external stakeholders. In response to a similar phenomenon in Germany, Koeppel and Leber (2010, p. 54) named this “learning by doing”. Furthermore, Austrian politicians have been fixated on a restrictive migration policy longer than in other countries; the attitude is changing only slowly and gradually (Wrench, 2007).

So far, the authors have identified that the trend in Austrian businesses is to initiate activities reacting to an increasingly diverse workforce and customers, but not implementing DM by strategically linking DM interventions with their core business. We must keep in mind that many businesses still use HR policies based on homogenous work forces, and a growing number of businesses respond to the economic and societal changes by single measures to enhance diversity and inclusion. Other companies are developing a business-oriented DM strategy, and still others attempt to strategically link social and economic success. However, strategic approaches to develop and manage diversity are rare.

Types of Problems and Potential Solution when Implementing DM

DM is developing in the setting of a mobile society with increasingly diverse workforces, suppliers and customers. This situation presents both new opportunities as well as a new set of challenges for companies attempting to create an all-encompassing, institutional DM strategy. These circumstances

raise the question of practical approaches to deal strategically with DM. In the European context, how can an organization master the transition from episodic implementation to a strategic approach to DM? This and similar contextual questions are common in the diversity discourse. Therefore, few share the view that DM necessarily results in competitive advantages. In recent years, both scholars and practitioners have criticized the alleged economic and social effects of DM (Martin-Alcazar et al., 2012; Vedder, 2005; Hafen and Heuser, 2008).

Based on empirical analyses of DM implementation, the authors identify four types of implementation problems that vary from single interventions to systematic strategies. Table 1 presents this typology of problems: The first two types of problems are more likely to develop within the businesses. The third and fourth types of problems are usually formulated by activists for social inclusion within and outside the companies.

Table 1: Types of problems and solutions when implementing DM

			Approaches to solutions	
Type of problem			**within the organization**	**external**
(1) problem of (in-)transparency	criticism: "Black Box"	**intransparency** of the character and the role of DM; the DM keywords are hardly used	diversity-related, in-depth analysis, internal discourse on the status quo of DM, communication trainings	public presentation of DM competences of the business
(2) problem of (in-)equality/ inclusion	criticism: "sham measures"	purely **PR activities** and ignoring continuing discrimination structures and activities	stakeholder participation in the development of interventions; activity-oriented diversity reports; diversity-audits	measurement of DM effectiveness by indicators and benchmarking; publication of DM measures and indicators in CSR-/ DM reports online
(3) management-problem	criticism: "fashionable"	**risk of non-sustainability** of single diversity interventions	clearly defined responsibility structures; evaluation of the benefit for the , linking DM to change management	cooperation with key partners in the field of DM; management's public commitment for DM; certifications
(4) accounting problem	criticism: "fair-weather activities"	**scepticism regarding economic efficiency** of diversity interventions	systematic analysis of DM; impact analysis of DM interventions; development of key performance indicators	publication of relevant DM indicators and CSR/DM reports or on the web

CEOs of small and medium-sized businesses are often skeptical about DM because they have little knowledge about its processes and effects. The specific interventions necessary and successful in their specific context seem hidden in a black box (Row 1). Hence, they worry about overspending.

Sometimes only the responsible managers have information about the DM measures being implemented, leaving line managers and much of the staff uninformed. Thus, they regard DM as an irregular and alien activity.

Affinity groups and NGOs criticize other aspects of DM as practiced. They blame DM-active enterprises for focusing on improving their image, but failing to actually change discriminatory internal structures (Row 2). Their focus is not on the economic effect of DM, but on social benefits for all employees and other stakeholders. The failures of implementing DM are attributed to the belief that discrimination leads to greater profit, underestimating the previously described problems. However, many entrepreneurs regard demands to guarantee equal opportunities within business organizations as excessive and/or economically unrealistic.

Further problems are created by the risk that new DM activities may turn out to be unsustainable (Row 3). DM activities may be unsustainable because of disjointed implementation, blurred responsibilities or failed structural changes (an activity may end when one person initiates measures then leaves without creating support structures). Furthermore, if DM is cost-driven in the short run, measures can be cut before their benefits become evident. In addition, if DM is defined simply as a set of social-integration measures, it will be cut in an economic crisis. Such activities are often categorized as “fair-weather diversity” resulting from managers who do not realize that sustainable DM activities are necessary even if they require additional costs.

Entrepreneurs and managers often complain about the difficulties of measuring and evaluating the economic effects of diversity interventions (Row 4). The exact return on diversity investments (DROI) is hard to measure (Hubbard, 2004, p. 43). The responsible managers often miss positive evidence that internal and external stakeholders would accept for business-management reasons. Managers need to prove at least some positive economic effects of DM activities.

These much-discussed accounting problems (Row 4) are difficult to solve. In fact, many DM activities improve the economic earnings only in the middle or long run. The other, previously mentioned problems (Rows 1-3) have more fruitful solutions and can be resolved using several approaches (Table 1). An instrument for measuring the economic benefits of DM has proven elusive; it is this point that the authors wish to address.

The accounting of DM is usually considered as a *business case* (Slater, 2008) that analyzes the costs and benefits of DM investments. When the benefits outweigh the costs of an investment in a DM measure, it is considered economically successful. In fact, however, the measuring process is challenging. While the costs are identifiable, the benefits are difficult to quantify. The main reason for this difficulty is that DM particularly influences intangible assets (IA) or intangible capital (IC) of organizations. Thus, two problems emerge: evaluating indirect effects of DM and accounting for long-term or delayed effects of DM on the IC and the IA of the core business. The authors will use a measurement of DM activities that refers to IC approaches. These approaches successfully measure IC in other contexts and with differing aims; e.g. reporting technological innovations in universities or knowledge-intensive businesses (Edvinson and Malone, 1997; Marr et al., 2003; Mouritsen, 2006).

DM as an Impact Factor for IC Development

The authors define *diversity interventions/measures* as a specific kind of investment in the intellectual capital of a business. These investments seek to encourage the inclusion of a diverse workforce, customers and other stakeholders; out of this process, economic benefits will result. Diversity

measures can be more or less strategically linked in the core processes of the business. In the case of a strategic link, the interventions can be regarded as *diversity management*. This definition is based on approaches such as an *intellectual capital report* (Alwert 2005, Bornemann 2008). The authors understand IC as something more than *intangible assets (IA)*. Both IC and IA refer to intangible or non-material, non-physical property assets (such as concessions or inventions), which are substantial parts of the property. However, accounting determines the term *intangible asset* by actively focusing on the balance sheet and regards *assets* as *passiva*.

The intellectual capital concept has been widely included in organization and knowledge theories. This concept widens the subject from a pure question of capitalization to an organizational one, to knowledge management as a key factor for organizational development. From this point of view, the focus shifts to assets, which currently cannot or shall not be balanced. However, this approach emphasizes that these ICs, as resources, flow into the core business processes and thus influence the business objectives in the long run. These different temporal effects can be valued and the resulting knowledge can be refit into the organizational-management process. This sustainable view, which focuses not only on profit but also on short and long-term organizational benefits, is important for a successful measurement of diversity management. With this approach, DM processes can be seen as IC and their effects can be measured.

Based on the conceptual differentiation of Edvinson and Malone (1997), the authors identify three elements of IC: *Human Capital (HC), Structural Capital (within the organization) (SC) and Relationship Capital (with external partners) (RC).* This distinction is generally accepted in the research of knowledge management and is important for the measurement of DM and the definition of DM. Diversity measures and their strategic integration in the form of DM are classified primarily as structural capital. In some companies, a single manager might initiate DM interventions and these might disappear if management changes or that particular manager is replaced. However, usually they are effective as at least medium-term processes.

Heisig (2005, p. 339) describes mechanisms to study IC as *intangible flow variables* which can also be used to study DM interventions. This approach stresses their character as investment activities. DM interventions affect the several ICs, identified here as *intangible stock figures that* can be measured in a narrow sense as capital.

That double distinction permits the emphasis of diversity measures within the body of SC and the analysis of its particular impact on several types of IC. In this context, it makes sense to differentiate between *material* and *intangible* capitals as well as the differentiation of the latter into HC, SC, RC. These differentiations enable a more precise measure of the impact from different diversity actions. As a rule, diversity measures do not have an immediate effect on the *material capital (MC)* of businesses. However, they directly influence the IC that could immediately affect MC and future business development. If management innovators intend to further disseminate DM, they must engage in the difficult task of more precisely measuring or evaluating these impacts.

The Diversity Scorecard – “Only what’s measured gets done”

Different methods have been developed in order to measure and evaluate IC (Alwert, 2005, p. 26). One of the most influential approaches consists of the Diversity Score Card which is based on the Balanced Score Card (BSC).

In his authoritative work *The Diversity Scorecard*, Hubbard focuses his theoretical reflections on “Diversity Measurement” instead of simply DM. He assumes that in recent years modern business

managers have not only identified the task of diversity but also endeavored to develop an active strategy in the field. According to Hubbard, it is necessary to explain how diversity creates value for organizational development and finally leads to a higher profit for the business. He stresses the need to perceive diversity not only from the perspective of a traditional social group, but rather from the perspective of its economic impacts (Hubbard, 2004, p.31). The intention is not only to predict the effect, but to actually measure it. This is necessary because diversity is part of IC, which has become the primary resource of economic development. Diversity can mobilize unused resources. The successful management of diversity initiates a unique and difficult learning process by which the company can create innovative commodities and services for various markets. In this sense, Hubbard's "Diversity Measurement Strategy" is an inseparable element of companies creating (or better: possibly creating) competitive advantages. Hubbard aimed not so much to measure the level of gender, age-specific or ethnic diversity, but rather the effects this diversity would have on the economic output of a business.

Hubbard calls his approach "Diversity Measurement Strategy" precisely because it consistently focuses on developing quantifiable, quality-oriented HR indicators. These include indicators of activities/resources as well as their relation to the indicators of business development (and, in this regard, the objective, strategic impact of diversity resources) (Hubbard, 2004, p. 36). Otherwise, he argues, DM is considered as out of place in the traditional business logic. Hubbard argues that managers – usually orienting themselves with quantitative figures – are not willing and/or able to change their working habits in favor of DM. Managers are only reached when DM speaks their language.

Hubbard's method of assessing diversity facilitates not only the measurement and evaluation of diversity's impact but also legitimizes DM in the decision-making process of future activities. In this regard, Hubbard mainly focuses on including the whole staff, at all organizational levels, into the process of developing and implementing a "Diversity Measurement Strategy". He emphasizes that a limited number of relevant business indicators both "lead" and "lag" the diversity measurement. Their impact on the key performance driver should be clearly verifiable, otherwise the argument is not convincing (Hubbard, 2004, p.xiv).

Hubbard's DSC represents a systematic approach for the successful handling of the previously described practical problems. One of its most important advantages resides in its emphasis of the soft indicators of enterprise development along with the usual material and financial indicators (Rieger, 2006, p. 271).

However, in practice, very few companies use the DSC as a diversity measurement. A possible reason could be that it requires a highly demanding, scholarly approach based on Kaplan's and Norton's BSC (1992). Hubbard increases the indicators to measure economic development of businesses from four to six (Hubbard, 2004, pp. 127, 133). An additional reason for the approach's tepid acceptance might be the continued priority of financial considerations. This bias results from the theoretical frame of Kaplan and Norton as well as Hubbard's focus on current management practices.

The starting point for developing the *Diversity Impact Navigator* are these problems of implementing DM and, particularly, the complex difficulties in measuring and evaluating DM's impacts. In the following sections, this paper will present this instrument and some important results of its practical testing.

The Diversity Impact Navigator: An IC Model for Assessing DM Effects

The *Diversity Impact Navigator [3]* aims to ensure the strategic anchoring of individual measures and DM to corporate strategy. At its core are evaluation processes pertaining to the effects of diversity measures, their implementation, development and communication.

Grounded in the performative IC approach (Mouritsen, 2006), the *Diversity Impact Navigator* takes into account the specific organizational problems and the interests of the various actors in a firm. Both determine the focus and assessment of the impact of DM. In a professionally guided, internal self-evaluation process that is as open as possible, the model systematically analyzes the business processes, individual DM measures, their effects and (possible) strategic goals. In this way, specific diversity-impact stories in the firm emerge, each with very different analyses, measurement indicators, assessments and interpretations.

With regards to the steps in the process, the model is based on the procedure for drawing up an intellectual capital statement as described in the InCaS European ICS Guideline (Alwert et al., 2005), taking into account the experiences from practical implementation (Bornemann & Alwert, 2007; Bornemann, 2008). However, the *Diversity Impact Navigator* focuses on DM measures and the measurement of their effects. The seven steps in the Diversity Impact Navigator construction procedure include the following:

(1) Description of business model.

(2) Determination of intellectual capital (see Figure 2).

(3) DM inventory and clustering of diversity measures.

(4) Diversity impact analysis (effects matrix) (see Table 2).

(5) Selection of indicators.

(6) Specifying current and medium-term target values and interpretation of results.

(7) Presentation of the results in the Diversity Impact Navigator (see Figures 1; 3).

First, the business model of the company is described (1). This forms the basis for all future business activities of the organization and is therefore relevant to the subsequent steps in the procedure. In addition, the description identifies core processes that have an impact on the organization's economic success.

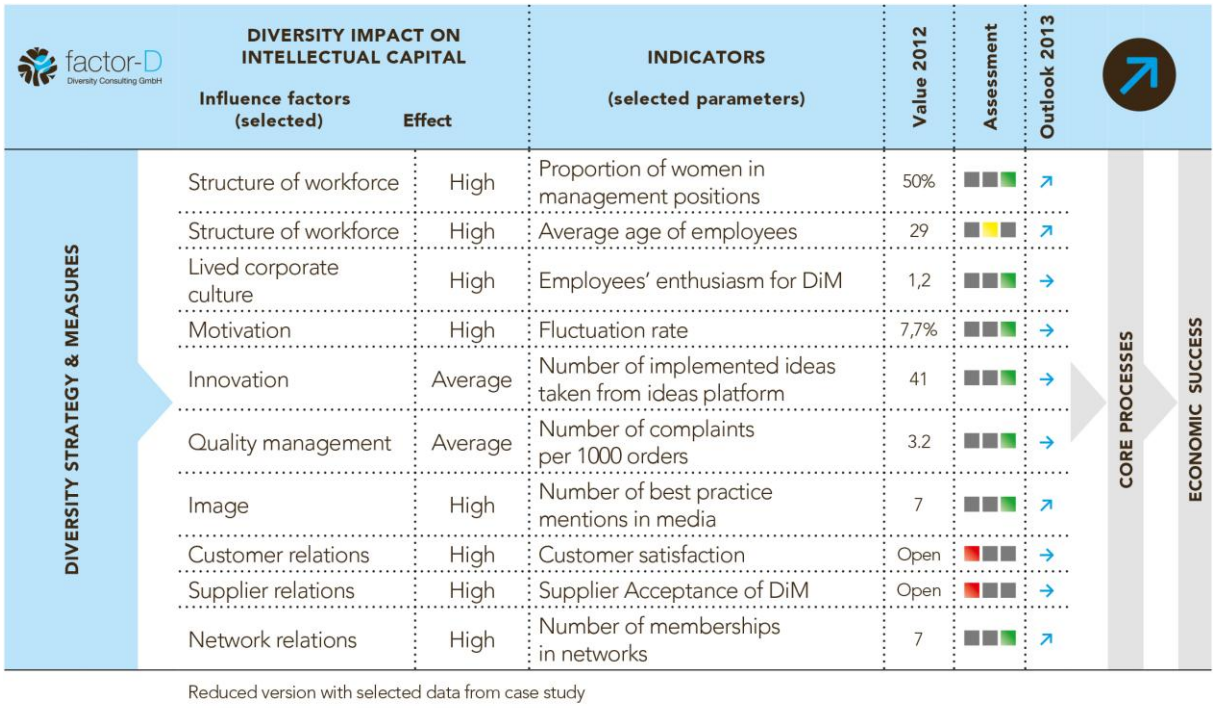
In the second step (2), key internal factors that influence the organization’s IC are classified into the following categories: human, structural and relational capital. This step identifies the factors that have direct or indirect effects on core processes and achieving corporate goals. The next step analyzes the firm’s diversity strategy and diversity-management measures and initiatives (3). The cluster analysis seeks to form groups of diversity measures with similar effects. This exercise ensures that the next steps, especially the impact analysis, are faster and simpler. The subsequent diversity-impact analysis evaluates the impact of diversity initiatives on the already elaborated IC impact factors (4). This evaluation employs a reduced version of Frederick Vester’s (1994, p.104) sensitivity analysis. Diversity initiatives and impact factors are entered into a matrix and their relationship traced. The result is the projected magnitude of the impact of various factors on diversity initiatives, which are expressed as values in a multi-step range.

In the fifth step (5), the factors influencing IC are assigned appropriate indicators. These indicators help quantify the projected changes prompted by implementing diversity measures. Designating the actual and target values for the selected indicators is the essence of the sixth step (6). A reporting

time-frame provides a basis to observe and evaluate changes. In addition, the firm determines any additional measures that can ensure the attainment of its goals.

In the last step (7), the *Diversity Impact Navigator* is created. Each firm focuses on different areas. It is not assumed that DM measures have an optimal impact on all the different categories of IC (Figure 1). Therefore, this article does not postulate a universal model, but presents findings in a test firm (see details in Tomasikova and Wondrak, 2013). Figure 1 concisely encapsulates the most important findings from the overall process. Consequently, it serves the management and planning of the company's entire DM processes.

Figure 1: Diversity Impact Navigator model applied in test company Unitcargo



Reduced version with selected data from case study

Evaluation of the measured value: ■ = positive, ■ = room for improvement, ■ = critical
Outlook 2013 = planned development of the measured value in comparison to 2012: strong increase = ↑, slight increase = ↗, no change = →, slight reduction = ↘

Testing the Diversity Impact Navigator

The *Diversity Impact Navigator* was developed within the framework of an academic research project by factor-D Consulting between October 2012 and September 2013 in collaboration with the Institute for Advanced Studies (IHS) in Vienna, Austria. The project consisted of tests of DM implementation in three service-sector enterprises of varied sizes and different levels, including a big corporation (Simacek Facility Management Group), a medium-sized company (Unitcargo) and a micro-enterprise (brainworker). Each firm has a different set of objectives for measuring DM. The goal of the test was to examine the effectiveness and generalizability of the Navigator. Following are brief profiles of the enterprises, which precede the presentation of the test results.

The logistics firm **Unitcargo Speditionsgesellschaft** (Unitcargo) is a niche player in the international logistics arena with a total of 33 employees. The company is recognized as a best practice model in DM. Unitcargo was the first enterprise to take part in this study and proceeded to publish the findings as a stand-alone sustainability report, the Unitcargo Diversity Report 2012 (Tomasikova and Wondrak, 2013).

Simacek Facility Management Group (SIMACEK) employs over 3300 people and serves as a key player in the facility-management sector in Austria. Diversity is laid down as an aspect of SIMACEK's policy in its mission statement as well as in the code of conduct.

The firm **brainworker** is a communication and consultancy agency specialized in ethno-marketing and diversity. Its services include market and target-group analysis, production strategy, as well as training in intercultural competence and diversity.

The aforementioned steps for the creation of a *Diversity Impact Navigator* were applied in all three enterprises. Due to the relatively large size of the two corporate groups, the analysis was limited to include only parts of the firms in Step 1. A core team in each of the companies was involved in this step, notably top management and the official in charge of diversity.

In accordance with the test procedure, the business strategy was summarized, followed by the identification of IC impact factors (Step 2). In moderated workshops with enlarged project teams Unitcargo identified 14 key impact factors (see Figure 2), SIMACEK listed 17 and brainworker 18. These factors were grouped into the categories human, structural and relational capital. The inductive method was also used to generate varied terms and estimates. The terms include employee structure, lived corporate culture, skills and qualifications, established corporate culture, image, as well as relations with various stakeholders. Unlike Hubbard's (2004) DSC that considers Perspective Leadership Commitment as important, the test enterprises did not ultimately identify it as a key impact factor. Furthermore, participants from all three enterprises held that further reflections and evaluation in this area was not necessary because top management was already highly engaged in addressing diversity.

Figure 2: Determination of IC for test firm brainworker

Human capital	**Structural capital**	**Relational capital**
Composition of workforce Internal teamwork Expertise Social competences	Mission statement Infrastructure Office operations Brain cloud and innovations Acquisition processes PR and Marketing	Customers Suppliers, partners and media Networks & other stakeholders Image
▼	▼	▼
Core processes Consulting on ethnomarketing and diversity marketing Training and workshops Projects		

In the cluster analysis of existing diversity measures (Step 3), up to six diversity initiatives were identified in the test enterprises. SIMACEK, for instance, summarized its activities under the following initiatives: providing meaning and social responsibility, health, measures to strengthen DM, and strategic control measures. The latter initiative includes measures such as promoting the advancement of women and people with disabilities, fostering gender equality and work/life balance, providing diversity trainings for management and improving German language skills of the company's immigrant employees.

The diversity impact analysis (Step 4) was also carried out with enlarged project teams in a workshop. The projected magnitude of the impact of the various IC factors was determined on a four-point scale with the following values: 0 = no impact, 1 = little impact, 2 = average or proportional impact, 3 = high impact. The values were entered into the impact matrix. Subsequently, both passive and active sums were derived (see Table 2).

Table 2: Effects matrix for diversity initiative test company SIMACEK

	IC factor *)						
Diversity initiative	Corporate behavior	Motivation	Corporate culture	Imple-mentation processes	Clients	Image	Active sum
Providing meaning and social responsibility	1	2	3	2	2	3	**13**
Health	2	3	3	2	2	3	**15**
Measures to strengthen DM	3	3	3	3	3	3	**18**
Strategic control measures	2	1	3	3	2	3	**14**
Passive sum	**8**	**9**	**12**	**10**	**9**	**12**	**60**

*) the matrix contains a selection of IC-factors only

The active sum indicates the specific DM initiatives that have the most impact on different IC elements, based on the self-assessment of the enterprises. A comparison between the results of SIMACEK and the other enterprises shows that initiatives to promote a diversity culture have the biggest impact in the two larger corporations (SIMACEK and Unitcargo). These measures include diversity training for employees, activities to improve work-life balance and promotion of women. In the brainworker firm, this category had only the third highest score. In this micro-enterprise, the biggest impact was observed in the DM initiative “image building/sponsoring and projects”.

The passive sum of the effects matrix expresses the magnitude of the impact of diversity initiatives on various ICs, based on the self-assessment of the firms. All three firms gave the highest score to the image factor, a subset of relational capital. Other high scores were recorded in factors whose characteristics encapsulate lived diversity culture. Examples include internal empowerment (brainworker), lived corporate culture (Unitcargo), corporate culture (SIMACEK) and corporate behavior (SIMACEK). Factors that were least sensitive to the influence of diversity initiatives in the test enterprises are those that belong to structural capital such as office operations, infrastructure and quality management.

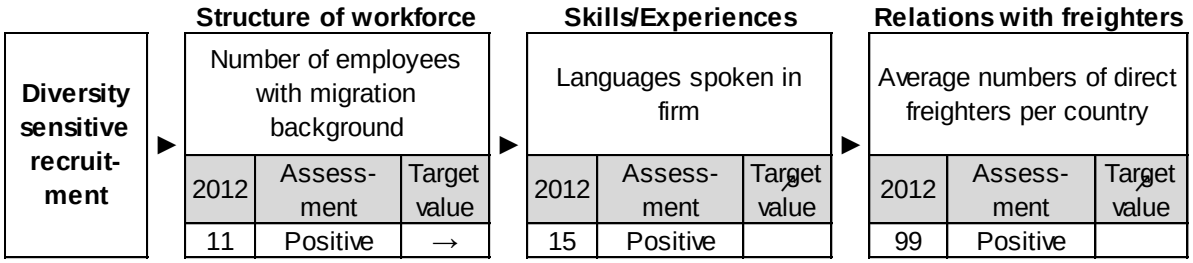
The ensuing Steps 5 and 6 determined the key impact factors (see Table 3), indicators as well as actual and target values. These values quantified and measured the progress of the extent of changes made. The enterprises chose the quantitative and qualitative parameters that shaped the goals of the diversity initiatives. These parameters were a mix of those derived from existing reporting tools and newly created ones. To gauge the effects and relations, simple cause-effect chains were deduced.

Table 3: Examples of indicators selected to measure DM

Indicator	Selected by the company to measure impact of DM on the following IC factor		
	SIMACEK	**Unitcargo**	**brainworker**
% female employees	Structure of workforce	Structure of workforce	Composition of workforce
Proposition of women in management positions	Structure of workforce	Structure of workforce	not used
Fluctuation rate	Motivation	Motivation	Motivation
Employees' enthusiasm for DM	Lived corporate culture	Corporate behavior	Internal teamwork
Number of best practice mentions in media	not used	Image	Image
Turnover of customers which are members of CSR networks	Customer relations	not used	not used

For example, the diversity-sensitive recruiting of Unitcargo aims at building and retaining a diverse workforce. According to the company, this increases the qualifications and expertise in the corporation. The latter, especially multilingualism and knowledge of the market, has an impact on the relations with freighters and customers. Based on the causal chain, the chosen indicators included number of employees with a migration background, number of languages spoken in the company, average number of freighters per country and customer satisfaction. This was followed by rating the observed value as “positive”, “improvable” or “critical”, in addition to assessing target values for an annual report (see Figure 3).

Figure 3: Influence of a diversity initiative in the test firm Unitcargo Add Figure 3



In the last step (Step 7), the results for each company were entered into the aforementioned matrix, the *Diversity Impact Navigator* (see Figure 1) and discussed with the company management.

Conclusion

As the paper showed, many challenges arise when implementing Diversity Management. One of the most important unsolved problems is measuring DM effects on the core business. By solving this measurement problem, management and employees will increasingly accept Diversity Measures. As

this paper has also argued, measuring DM's effects is more easily quantifiable (for management and academics alike) when DM is conceptualized as IC. Along with Hubbard, the authors argue for a better Diversity Measurement Model. However, one has to consider the complexity of actually using his concept of a *Diversity Score Card,* and the resulting "reluctance" to include it in the dominant management system. In order to reach very busy staff, the article stresses the need to simplify the DM measurement and to focus on the major effects and indicators of diversity measures in a given period. Consequently, the *Diversity Impact Navigator* was proposed, a tool to simplify the measurement and evaluation of Diversity Management's effects.

In the paper, the authors share the positive results from testing the *Diversity Impact Navigator* in three companies. Through its clarity and focus on qualitative assessment methods, the instrument is especially suited for companies beginning to measure the impact of diversity management. The test companies witnessed different, but overall positive, results pertaining to the impact of diversity measures on mission-critical aspects of IC and this consequently had an indirect impact on business goals.

It was stressed that the entire seven-step procedure can be typically run within six to eight days, depending on the size of the firm. This means it requires a limited number of resources. This study has also shown that top management's support is a pre-condition for success, as well as a well functioning project management team and a focus on the essentials. The latter can be achieved especially by focusing on a maximum of 15-20 key factors impacting IC and the clustering of diversity measures into broad groups of diversity initiatives.

The splitting up of the project organization into both core as well as expanded teams proved advantageous; this ensured an accelerated analysis of the company's approach to DM. In two workshops for the enlarged project teams, the organizations were relatively well represented, both vertically and horizontally. The workshops should establish a common vocabulary and elucidate causal relationships. Involvement in creating the Diversity Impact Navigator helped participants gain a significantly better understanding of DM and its relationship with organizational processes. Therefore, the participants generally agreed on the usefulness of measuring and implementing DM in companies. The measurement and evaluation process had an important positive side-effect of allowing the companies to formulate and document comprehensive diversity strategies, unlike in the past, when these strategies were only partially developed. The test phase of the Diversity Impact Navigator revealed a need to supplement the diagnosis of the impact of DM with an additional systematic survey of customers and suppliers.

What are the limitations of the *Diversity Impact Navigator* and what questions remain open? In the test enterprises, the *Diversity Impact Navigator* proved to be a functioning model for those companies already implementing DM and wanting to measure its impact. It especially facilitated assessing direct influences of diversity measures on the crucial business advantages of IC. Indirect influences on material capital and on IC, as well as core business goals and their feedback have not initially been taken into account. However, if desired, they can be modeled through further assessment steps, meaning that the *Diversity Impact Navigator* could be adapted to the company's internal accounting. This additional assessment procedure would require extra resources; therefore, the test companies were not interested in pursuing it for this study.

This model is constrained by its limited ability to compare the measurements of one company with those of another. Each indicator as well as the associated actual and target values are derived from

the specific problems and goals of each particular organization. Therefore, developing additional tools is necessary to compare companies.

In any case, the positive feedback from the test companies attests to the *Diversity Impact Navigator's* ability to address the problems outlined at the beginning of the implementation of DM (see Table 1). The authors successfully measured the impact of key DM initiatives, determined their indicators and formulated target values. This performative approach offered a major advantage. The analysis and assessment were approached from the perspectives of the concerned actors and in the specific context and challenges of each company. This began the narration of a special "diversity effects story" that, according to Mouritsen (2006), depends on frames in which it circulates. The success of the participatory middle-out method also convinced skeptics who previously only considered DM a "black box" and doubted that DM measures could have an economic impact in a company. Thus, the understanding of DM initiatives as a part of a company's IC proved successful.

There are some implications for future areas of research. This paper does not address basic IC models used to enhance innovation in knowledge-based companies or universities. Further development of measurement methods of DM effects should increase the number of tests and include other types of businesses and branches. Furthermore, the instrument should be tested in companies with both comparatively little as well as extensive experience in implementing DM. On the one hand, companies which previously have not undertaken any diversity measures must start with some measurement. On the other hand, well organized, diversity pioneers may want to link their DM to financial accountability and develop financial indicators. Here, it could be the case that the BSC would have an edge over the *Diversity Impact Navigator*. Last but not least, the *Diversity Impact Navigator* should also be tested in NGOs to compare organizations of different cultures and stakeholders. Comparing the outcomes of different models for measuring IC can help change *episodic* DM implementation to a *systematic* approach and to develop DM as an essential element of intellectual capital in all modern organizations.

Notes

1. The author's approach does not define DM as separate from inclusion, but DM focuses more on inclusion in organizations.
2. The ATX, the Austrian Trade Index is the most important Austrian stock index. It includes the 20 biggest listed businesses.
3. The development and initial testing of the navigator was done with the assistance of the Austrian Research Promotion Agency.

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