

Managing Workforce Diversity: Social Enterprises as an Exemplar

A review of the evidence, plus new evidence from Queensland

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Overview

Workforce diversity is potentially a powerful mechanism for managers to influence outcomes: whereas organisations have relatively little power over external factors, they can deliberately reorder internal factors through hiring practices to fine tune their ability to handle challenges and optimise success. Diversity in general is presumed to increase the insight of the entity to an challenge or problem and enable organisations to communicate and interact more successfully with the (diverse) community beyond the organisational unit.

It is common in the non-scholarly literature to acknowledge that workforce diversity has benefits for the organisation, including increased productivity, morale and engagement. For example, the Australian government's Workforce Australia website declares "diversity in the workplace helps in many ways. It can ensure your business benefits from different views and experiences. It can promote creativity and productivity and add to innovation. Diversity helps people feel valued, supported, and respected" (Workforce Australia, 2023).

Some of these broad claims are well founded, and others remain in dispute when it comes to the empirical evidence. Large studies fail to unequivocally demonstrate the *productivity* benefits of diversity, for example. A good quality, longitudinal study conducted in US Fortune 500 firms over a period of 10 years (1985-1994), examined a complex range of diversity measures and looked at the performance of the firms market and accounting returns, finding no significant effect on performance (Gomez-Mejia and Palich, 1997). Diversity has implications for group cohesion for example that can militate against performance if not handled optimally. Gender diversity, again in Fortune 500 companies, was found to be related to *poorer* individual and group performance (Jehn and Bezrukova, 2004) for example. But there is evidence supporting positive outcomes for diversity. Our own as-yet published research (Karen Lin Mahar, Stephanie Macht and Olav Muurlink) shows, for example, that diversity at a national level is associated with GDP and national innovation. In fact, the evidence for benefits of diversity on outcomes related to creativity and innovation are particularly promising.

At a societal level, there are clear and almost indisputable benefits to increasing workforce diversity (Grossman and Maggi, 2000) including the ability to connect and take advantage of a globalised market, and the ability to ensure maximum engagement

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with the economy. The organisational benefits are less clear-cut (Gomez-Mejia & Palich, 1997; Ozgen, Nijkamp, & Poot, 2017). Despite non-scholarly literature detailing its benefits to organisations, scholarly literature shows a more nuanced picture, with firm-level benefits and detriments emerging from diversity (Baugh & Graen, 1997; Jehn & Bezrukova, 2004; Gomez & Bernet, 2019). This report examines the impact of diversity in a very specific domain—social enterprises, particularly in Queensland—with a specific purpose: to explore how social enterprise, known to actively engage with diversity in its mission and its workforce, succeeds in handling diversity.

In the following report, we will first examine what the scholarly evidence shows on diversity and its impact on organisations including businesses, and then examine the evidence in relation to diversity in the social entrepreneurship sector. Finally, we will present some recent primary evidence from Queensland on how social enterprise *is* managing diversity.

What is diversity and diversity to whom?

Continuing immigration inflows are increasing the diversity of the Australian work force in terms of cultural and linguistic background, skillsets and even age. At the same time there is societal pressure and legal requirements against discrimination and for diversity changes the way organisations to manage diversity

Diversity perspectives differ by the characteristics of leaders, including HR and line managers, and are important to organisations because they can determine outcomes including creativity and productivity in the workforce, but currently

little is known about the predictors of diversity perspectives (Bader et al., 2019). In the following review of the literature, current literature regarding workforce diversity management is discussed along with the small body of literature focused on workforce diversity in social enterprises as an example of best practice for other sectors.

Understanding what diversity means to an employer is not necessarily simple or single dimensional. Research suggests one can break down diversity from an employer perspective into a number of different spectra or categories, including:

- Task-related (related to an organisation's 'acknowledged objectives' (Jackson et al., 1995) versus relations-oriented attributes (less focused on the organisation and more on interpersonal variables).
- Job-specific versus general attributes (Hülsheger et al., 2009).
- Surface (for example skin colour) or deep-level attributes (for example, neurodiversity) (Harrison et al., 1998).

The latter two have become the most prominent (Hundscheil et al., 2022)—Figure 1 shows how the two dimensions can be used to assemble an understanding of diversity in relation to work outcomes.

Societal Benefits of Employing a Diverse Workforce

Employment: There is a wealth of scholarly, industry and anecdotal evidence of the substantial detriments of unemployment to individuals, their families and society, along with the disbenefits of unemployment to the individual (Rueda et.al., 2012; KPMG, 2019; Marrone & Swarbrick, 2020). For example, Rueda et.al. (2012) conducted a systematic review of longitudinal studies investigating the relationship between employment and health outcomes. In 15 of 18 included studies, results showed that re-employment had

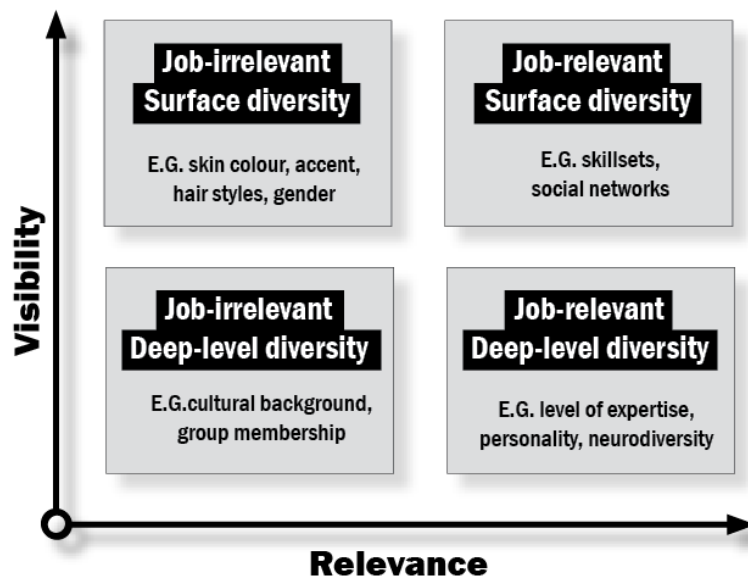


Figure 1: Diversity differs in job-relevance and visibility

statistically significant benefits to health, and in contrast long term unemployment was associated with significant declines in health (Rueda et.al., 2012). Health is an example of a cost that is captured at both the societal and individual level. Similarly, Marrone & Swarbrick (2020) found strong correlations between long term unemployment and reduced general and mental health in a global review of epidemiological studies published throughout the last 80 years. Unemployment may have some benefits to the economy in terms of access to a buffer of workers available to a changing industry landscape, but these marginal benefits need to be offset by the direct negative mental and physical health impacts and the societal impacts. With healthcare and social security dominant expense sectors globally, unemployment represents a substantial burden on taxpayers (Collie, Sheehan & McAllister, 2021).

Managing diversity successfully means more of the Australian population is employed; lower unemployment has cascading effects for society including better health and lower crime.

Social costs: The social cost of unemployment extends well beyond unemployment however. For instance, Jawadi et.al. (2021) found significant associations between higher unemployment and increased violent and non-violent crime in France and the UK between 1973 and 2018. Raphael and Winter-Ebmer (2001) found similar results working with US state data. The unemployment-crime nexus has been relatively under-explored and while there is reason to assume that the relationship between the two is not a simple causal one, there is evidence of some relationship in Australia (Watts, 1996). Increases in crime rates are another significant cost to taxpayers, with each incarcerated person in Australia representing a

significant cost burden to taxpayers, averaging \$147,900 each year (Schlicht, 2023).

Employment Barriers for People from Diverse Populations

People from diverse backgrounds, including diverse cultures, those with a disability, neurodiverse individuals and those impacted by incarceration have been shown to face significant barriers to employment (ABS, 2024; APS, 2024; Parliament of Australia, 2022).

A commissioned report by the Australian Public Service Commission indicates that jobseekers from culturally and linguistically diverse backgrounds face barriers to career progression which include discrimination and racism, and employer preference for working styles which do not facilitate cognitive or multicultural diversity and a lack of cultural literacy on behalf of employers (APS, 2024). This has flow on effects on households. Australian census data indicates personal income is lower for migrants compared with the general population (ABS, 2024).

For people with a disability, the unemployment rate was twice the unemployment rate of those without a disability in the Australian Bureau of Statistics 2022 Disability, Ageing and Carers (SDAC) Survey (ABS, 2024). In 2022, 56.1% of those with disability living in households and of working age were employed compared with 82.3% of those without a disability (ABS, 2024). Indigenous Australians experience significantly greater disadvantage: those with disabilities are more likely to experience unemployment, poverty and homelessness with research indicating that this is in part because of

limited access to culturally safe specialised services (ABS, 2018; Avery, 2020). The gap in the underemployment rate for Indigenous people living with a disability (56%) and those living without a disability (35%) shows how the intersection of these two categories leaves a significant portion of the population doubly disadvantaged.

In regard to those impacted by incarceration, a 2022 Inquiry into Australian Employment Services showed that 78% of people released from prison in Australia were unemployed. Additionally, people recently released from prison account for 12.3% of Workforce Australia's national case load (Parliament of Australia, 2022). Other categories of concern include women, who experience persistent underemployment, starting with their entry into the workforce (Fauser and Mooi-Reci, 2023), those recovering from injury or illness, including cancer (Kemp, 2014) and religious minorities (e.g. Mahbuba, 2024). Women are a particularly important category to consider in diversity employment studies, not because they are a minority, but because their employment status significantly impacts the welfare of children (Muurlink et al., 2019).

The positive intergenerational impacts of working mothers are particularly strong in the case of women who return to work one year after the birth of their last child (Desai et al., 1989). Daughters of employed mothers later in life experience greater academic and career success (including lifetime earnings) than daughters of mothers not employed outside the home (Hoffman, 1989, Hoffman, 1998). Working mothers raise children, regardless of gender, more likely to finish school, enjoy better health outcomes (Jones, 1988) than children raised by mothers who are unemployed.

Substantial and significant barriers faced by diverse populations along with the societal benefits of increasing employment by increasing workforce diversity highlight the need to lower barriers to employment and increase workforce diversity in Australia.

In summary, while the benefits of increased engagement by employers with a diverse workforce are clear from the perspective of individuals and society, the benefits of workforce diversity to organisations are relatively less manifest (Carter, 2015).

Diversity and its impact on organisational innovation and creativity

Perhaps surprisingly, the majority of literature regarding the organisational benefits of workforce diversity focuses on benefits of innovation, creativity and related concepts. The notion that social interaction between holders of different information and perspectives can lead to creativity has been well established with Baer, for example, showing that individuals are most creative when they are part of a reasonably loose network of high diversity open to new information (Baer, 2010).

This kind of happy coincidence can occur deliberately in organisations that facilitate them: Multidisciplinary teams are an example of diversity at surface level with clear logical links with tasks completion. Bringing together teams that have divergent competencies or knowledge can lead to speeding up of communication of priorities and the opening up of options in solutions-building. Proximity in networks builds up the speed of communication (Rycroft and Kash, 2004). Diversity on this scale makes support more readily available should problems occur and allow ideas to spread more rapidly.

More recent literature has explored this concept in greater depth with results supporting Baer's (2010) foundational work. In studies of juries, where the makeup of surface level characteristics are easily observed, and in the US context in particular, this effect has also been linked to precursors of creativity, such as good quality decision making (Nuñez, McCrea, & Culhane, 2011). These findings point towards an association between workforce diversity and concepts relating to organisational creativity.

Turning to less visible forms of variability in a team, while personality appears to definitively matter at work (Herbert et al., 2023) even in well recognised personality variables like introversion, there is limited good quality evidence suggesting the value of diversity in the workforce (Hogan, 2005). Rather than diversity being a simple concept, where the more is better, it appears the key question might be *what kind of diversity* ...even when it comes to a single constellation of constructs, like 'personality.'

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For example, variance in levels of extraversion appears to be good (Barry and Stewart, 1997) while variance in agreeableness, perhaps not surprisingly, is bad (Barrick et al., 1998) leading to group conflict. While diversity within teams on personality dimensions may make teams more effective, in cases where diverse perspectives are central to team tasks, diversity may negatively impact on interpersonal relations and cohesion within the group, which might have implications where the team tasks are of an interpersonal nature (e.g. in service industries). Diversity may come with a cost that is only borne in the longer term; short term gains might be offset by long term erosion of social cohesion.

Researchers have labelled this kind of diversity *cognitive* diversity which can be important in the creative process for idea generation and overall performance (O'Reilly III et al., 1998). In benefiting the decision-making process, cognitive diversity leads to higher levels of context to execute decisions and ideas (Milliken et al., 2003, Taylor and Greve, 2006, Tziner and Eden, 1985). Studies have since provided further relatively robust support, directly linking diversity with increased organisational creativity and innovation (Ellison & Mullin, 2014; Gupta 2013; Udin, Sugeng Wahyudi & Wikaningrum, 2018) particularly when moderated by a positive organisational climate supporting diversity (Moon and Christensen, 2020). For example, Ellison and Mullin (2014) examined diversity from a gender angle and found evidence that workplaces with gender diversity (i.e. a mixed male and female workplace in contrast to an all-male or all-female workplace) produced better levels of innovation. Multiple reviews have also associated workforce diversity with creativity and innovation. For instance, Gupta's (2013) review concluded that workforce diversity increases creativity, innovation, decision-making and success in marketing. More recently, a 2018 systematic review on managing workforce diversity for sustaining organisational advantage proposed that creativity, innovation and flexibility are improved with increased workforce diversity (Udin et al., 2018). Our own as-yet published research (Karen Lin Mahar, Stephanie Macht and Olav Muurlink) has also found further support for these studies, with results showing diversity is associated with national innovation. Overall, these findings provide strong evidence for the beneficial impact of workforce diversity on organisational creativity, innovation and related concepts.

The generally positive effects seen throughout literature for workforce diversity on creativity and innovation are further supported and potentially explained by information decision making theory (Williams & O'Reilly, 1998). Information decision making theory supports the notion that diversity in a group's composition is positively related to group performance due to an increased variability of skills, perspectives and abilities. It is thought that this wider variability encourages the group to consider alternative opinions to their own, in turn extending the knowledge base for the group to make decisions (Christian, Porter & Moffit, 2006). It seems that this variability and extension of the group's knowledge base, which is present with high workforce diversity, translates to improved creativity, innovation and decision making.

Additional Benefits

While the most compelling evidence for the specific benefits of workforce diversity is focused on innovation and creativity, a range of other organisational benefits also appear throughout literature. For example, Udin and colleagues' (2018) systematic review found that in addition to innovation and creativity, workforce diversity also had significant benefits to costs of turnover, absenteeism and lawsuits, customer relationships, and led to organisations making better use of employee talent. Furthermore, Gomez & Bernet's (2019) analysis of reviews found that workforce diversity led to improved team communications and risk-assessments. There have been studies that have found the opposite, at least when it comes to some kinds of diversity, such as ethnic diversity. Homogeneity in teams does lead to improved social *cohesion*, which in a team setting is more likely to lead to the transfer knowledge and information for collaborative results (Reagans and Zuckerman, 2001). Social cohesion is an important aspect of team development with individuals from similar backgrounds attracted to those which they understand and can relate to (Cramton, 2001)

Researchers have investigated these theories with evidence linking homogeneity of teams with increased performance because of increased social cohesion. For example, gender homogeneity has been found to promote open communication and reduce emotional conflict in groups, developing cohesive collaborative relations (Ibarra, 1992; Pelled, Eisenhardt, & Xin, 1999; Stvilia et al., 2011). Overall diversity has also been shown to reduce team cohesion, in turn affecting the working environment of the team processes (Milliken, Bartel & Kurtzberg, 2003). More recently, surveys from 203 Chinese employees found that workforce diversity was associated with interpersonal conflict (Liu, Zhu & Wang, 2023). It appears from these studies that workforce diversity has the potential to negatively impact organisational performance as a result of reduced social cohesion in teams. Taken together with the significant evidence for both the organisational and societal benefits of workforce diversity, the question of how to facilitate the potential benefits and mitigate the potential detriments is brought to light.

More recently, a qualitative investigation into workforce diversity's organisational impacts supported its benefits to team communications and also highlighted its ability to expand an organisations ecosystem more generally. One diversity expert interviewed said "diversity paves the path for new contacts in new communities, expanding business networks, drawing in people who were not previously a part of the company's ecosystem. The company appeals to non-minority employees who want to work for a diverse company" as well as female employees in general (Rubaca, 2023). These findings suggest there are wide-ranging additional benefits of workforce diversity for

organisations, which could be facilitated and taken advantage of by organisations wishing to gain competitive advantage.

The relevance of diversity

While surface characteristics such as skin colour, hair style, clothing and cultural expressions of gender theoretically should bear no link to the productivity or creativity of organisations, that does not mean that this bears out in reality. The evidence is that surface level diversity of this kind is not an unadulterated good. Self-rating of homogenous teams may in fact be higher than diverse teams, while the rating of others shows no difference (Baugh and Graen, 1997). Beyond ratings however, there is good evidence that diversity even at this supposedly irrelevant level does have positive impacts. An analysis of reviews of diversity in the healthcare sector showed that financial performance, innovation, team communications and improved risk assessment emerged from diverse teams (Gomez and Bernet, 2019). Studies of juries, where the makeup on surface level characteristics are easily observed, and in the US context in particular, the focus of formal analysis, this effect has also been linked to precursors of creativity, such as good quality decision making (Nuñez et al., 2011). There is similar research based on datasets just as closely observed as juries and football teams. Maderer et al (2014) found a negative effect of cultural diversity at the team level when it came to objective team performance. Research in lab studies suggests that it is the type of task that determines the value of intercultural diversity on outcomes (Nouri et al., 2013). If the task has elements that require are complex with multi dimensions of quality, having a team with a variety of strengths is logically more likely to perform at high levels. Where customers and markets are increasingly multicultural, cultural diversity can benefit the organisation in developing creative solutions for the market (Chua, 2018). So, for example, Chua's (2015) work on the effects of cultural diversity of networks on creative output was the first of its kind and contributed to the understanding of creativity and networking. The quantitative study found that cultural diversity of networks did increase an individual's contribution of "*culture-related novel ideas*" (Chua, 2015).

Overall Firm Performance and Financial Impact

It is clear from the significant evidence that workforce diversity can have wide-ranging benefits for organisations. However, studies have taken this further in recent years in order to determine whether workforce diversity benefits overall firm financial performance. Using panel data from US federal government, Moon & Christensen (2019) found that racial and tenure diversity had a positive relationship with overall organisational performance. In the healthcare sector, Gomez & Bernet's (2019) review found a range of specific benefits of workforce diversity, but in addition found that patients had better outcomes when care was provided by diverse workforces. Ellison & Mullin's (2014) investigation was another study which found specific benefits of workforce diversity translated to improved profitability. Finally, our as-yet-published research also supports the financial benefit of workforce diversity for organisations, showing that diversity at a national level is associated with GDP (Karen Lin Mahar, Stephanie Macht and Olav Muurlink). These studies provide evidence of multiple cases where the benefits of workforce diversity for organisations have translated to better overall performance and improved profitability. Despite this, there is also significant

evidence which needs to be addressed which is that workforce diversity can be detrimental to organisations in some cases.

Evidence of Detriments to Organisations Associated with Workforce Diversity

The evidence on the net benefits of workforce diversity is mixed. Diversity can result in poorer or slower internal communications—this slowing down of communication and decision making partly linked to the positive benefits reaped from diversity. For example, delays and impediments increase rumination on a decision.

Workforce diversity has been shown to be associated with poorer individual and team performance (Jehn & Bezrukova, 2004; Maderer et al. 2014; Leonard et al, 2004). Furthermore, Moon and Christensen (2019) found that functional diversity (employment, clerical, administrative and technical) also had a detrimental effect on team performance. These studies appear to indicate that while diversity can be beneficial to overall organisational performance, it can also have significant detriments which lead to reduced overall organisational performance.

Theoretically, there is also support for diversity leading to reduced performance in teams including social identity theory (Tajfel & Turner, 1979), self-categorisation theory (Turner, 1985) and similarity attraction theory (Byrne, 1971). While there are subtle differences between these theories, the concept underpinning them is somewhat the same: that people associate themselves with certain groups based on similarities and differences. This social grouping of similar and dissimilar individuals is thought to create an 'us vs them' mentality among group members which encourages poor social cohesiveness, negative bias towards dissimilar group members, stereotyping and evaluating one's own group as superior to others (Tajfel & Turner, 1979; Turner, 1985; Byrne, 1971).

Effectively Managing Workforce Diversity

Despite studies showing a direct effect between workforce diversity and reduced organisational performance, there is mounting evidence that this effect can be mitigated by effective diversity management practices. For example, Ely (2004) found a negative direct effect for diversity on performance, however, this negative effect was moderated by quality team processes. Kearney and Gebert (2009) supported this result with multiple findings from their investigation into the effect of transformational leadership on the relationship between diversity and team performance outcomes. It was found that when transformational leadership was high, nationality and educational diversity were positively associated with manager's longitudinal team performance ratings, but when transformational leadership was low, this effect was non-significant. When transformational leadership was low, age diversity was negatively associated with team performance, however, when transformational leadership was high, this relationship was non-significant (Kearney, & Gebert, 2009). These results suggest that effective leadership and management practices can both facilitate the benefits of workforce diversity and mitigate the potential detriments.

Providing further support, some of the studies which found a direct association between workforce diversity and organisational performance also found this mediating or moderating effect for management practices on this relationship. Gomez and Bernet's (2019) review found that the wide-ranging positive effects of workforce diversity on healthcare teams' performance were only present in work environments with a diversity friendly culture. Liu and colleagues (2023) found that the negative direct effect

for workforce diversity on increased interpersonal conflict in groups was significantly weakened in workplaces with high levels of inclusive human resource management practices. Thus, it appears that the effect of workforce diversity on organisational performance depends largely on an organisation's management practices, however, managers require knowledge of the types of management practices needed to facilitate its benefits. Quality team processes, transformational leadership, a diversity-friendly culture, and inclusive human resource practices are some of the potentially important factors which have surfaced from these studies.

Investigations have gone further to begin determining specific necessary management practices to facilitate the organisational benefits of workforce diversity. For example, Iverson (2000) conducted interviews with managers who identified themselves as part of a diverse population and identified three important factors to developing a culture where diversity is highly valued in workplace management practices. The three most important factors were identified as culture (organisational concern for equality), opportunity (career development and hiring) and leadership and management practices (Iverson, 2000). More recently expanding on these, Rubaca's (2023) interviews with 'diversity management experts' identified a multitude of specific factors important for HR managers in attracting, retaining and continuing to develop policies and strategies which facilitate the benefits of diversity, while avoiding some of its challenges. The most commonly identified themes throughout interviews were skills of those in power (optimism, learning, empathy, ethics, flexibility etc.); organisational culture; social responsibility; policies which favour disadvantaged groups; equity; inclusion and strategic risk. Finally, Lee and Kim (2019) provided quantitative support for structural empowerment and multisource feedback being two HR processes which facilitate effective coordination of a diverse workforce. Structural empowerment, which involves delegating responsibility to employees, and multisource feedback which involves using subordinates for feedback were found to encourage employees to value other member's contributions, along with a mutual understanding among team members (Lee & Kim, 2019). These important aspects for management practices which facilitate the benefits of workforce diversity can be used by HR managers wishing to increase their organisations' workforce diversity. However, there is a need to conduct further research in order to provide a model to HR managers which includes all important aspects which should be implemented in management practices to facilitate workforce diversity benefits.

Workforce Diversity in the Social Enterprise Sector

From a theoretical perspective, SEs are expected to discriminate less in their hiring and workforce management processes than for-profit organisations for three primary reasons. Firstly, SEs are by definition founded on social values/ principles, and thus, secondly, they tend to attract a more prosaically oriented workforce including at management level. Finally to a greater or lesser degree, they depend on public munificence and voluntary resources (Brolis et al., 2018)

There is evidence which suggests that this theoretical basis for accommodating greater workforce diversity is borne out in fact, making them a potential exemplar to organisations wishing to increase workforce diversity and facilitate its benefits (KPMG, 2019; Barraket et al., 2017). A KPMG (2019) report commissioned by Jobs QLD uncovered some promising insights regarding workforce diversity in social enterprises throughout Queensland. Interviews found that Queensland social enterprises target

employment of disadvantaged groups including people with disability, people with poor mental health, ex-offenders, refugees and immigrants, Aboriginal and Torres Strait Islander people, people with addictions, youth and the long-term unemployed. The report also highlighted that, generally, social enterprises have improved diverse employment practices compared with other organisations (KPMG, 2019). A 2017 report commissioned by the Victorian Government on social enterprises found that over 30% of Victoria social enterprise employees come from marginalised groups who face barriers to workforce entry, and 6-7% were previously unemployed long-term (Barraket et.al., 2017). Furthermore, 19% of the workforce in social enterprises identifies as having a disability, 44% are women, 5% are culturally and linguistically diverse and 2% are Indigenous Australians (Barraket et.al., 2017). These high rates of workforce diversity in social enterprises may be due to the nature of social enterprises focus on creating social impact or employment of disadvantaged groups may be explicitly part of their mission.

A particularly interesting category of SEs, from the perspective of this report, are employment social enterprises, or work-integrated social enterprises (WISEs), which integrate their organisational mission with temporary and/or supported employment programs for people who would otherwise face difficulties gaining entry to work and maintaining employment (KPMG, 2019; Maxwell, & Rotz, 2017). These social enterprises have been shown to have significant positive impacts on employment which translate to significant social impact at a societal level. For example, Maxwell and Rotz (2017) surveyed employees of WISEs and found that one year after entering employment in a WISE, individuals had gained 21% more work. In regard to societal benefit, the development of a WISE resulted in at least a 34% return investment to the community, with taxpayers gaining 41 cents for every \$1 invested in hiring an employee at a WISE (Maxwell & Rotz, 2017). This evidence highlights the individual and societal benefits of WISEs regarding workforce diversity and that the sector is doing well at facilitating its benefits. This suggests that organisations in other sectors could use WISEs as an exemplar of best practice in diversity management.

It is assumed that diversity in social enterprises is one of the ingredients that offers SE an advantage, however, there is limited and inconclusive scholarly evidence as to how the benefits of diversity are facilitated. Belgian data suggests that social entrepreneurs are only marginally less prejudiced than their for-profit cousins, although the effect is stronger for worker-oriented environments than client-oriented environments (that is, where the worker is in a sense the client) (Brolis, Courtois, Herman & Nyssens, 2018). This study found that managing diversity through a multicultural lens produced particularly positive results in terms of reducing managerial prejudice. A stronger result was drawn from an American study of social entrepreneurs and their willingness to embrace diversity, but the sample was small and not longitudinal (Cho, Kim & Mor Barak, 2017). The authors found great diversity but, interestingly, not in age or values.

Based off these findings, it is clear that further research is required to detail how social enterprises specifically facilitate the benefits of workforce diversity, while mitigating any potential reduction in social cohesion. This study adds to previous work lead by Central Queensland University's A/Prof Huong by providing detail to the broad generalisations about diversity and drills into a sector regarded as an exemplar of good practice, to see what, if anything, we can learn from social enterprises.

What does Queensland data say about social enterprise and diversity management?

Social enterprise is a sector of business where managers are highly engaged with their work; they often 'stick to their knitting', rarely having time to step back and take a managerial overview of their work. They are caught in a cycle of 'busy-ness' that impacts on the ability of social enterprises to scale (Borzaga and Solari, 2001). As a result, research into social enterprises tends to suffer from low response rates, not just in Australia but in international contexts (Ismail and Johnson, 2021, Belcher et al., 2022). Using both QSEC's and CQU's networks, we nevertheless gained insights from 21 managers of social enterprises in Queensland, a response rate of about 4% that matches international benchmarks.

The respondents represented a very broad range of social entrepreneurs holding senior management positions, which was the target of our recruitment process. The enterprises represented in the sample were relatively mature (mean age of 8, median age of 7), and large in terms of number of employees (median FTE of 7). The mean number of employees of 141 was impacted by an outlier respondent. With that outlier removed, the mean number of 23 FTE. Six of the 21 social enterprises were based outside the greater Brisbane/Gold Coast region. Half of the respondents are working in their first social enterprise while the balance are serial social entrepreneurs.

In terms of industry mix, the sample reflects the nature of small business in Queensland to some degree. In Queensland, the top 5 categories of small business in order of frequency are: construction; professional/scientific and technical; rental, hiring and real estate; agriculture, forestry and fishing; and health care and social assistance. In our sample, there were no social enterprises in the latter two categories. The most common industries were healthcare and social assistance, and 'other services', but the sample also included representatives of construction, education and training, transport, postal and warehouse, administrative and support services, manufacturing and accommodation and food services.

The managers themselves were spread quite evenly from early career (aged 25-34, 14%) to retirement age (65-74, 9%). Many of the respondents themselves identified as belonging to diversity groups. Four were indigenous, four migrants, two identified as neurodiverse and one as LBGTIQ+. The gender balance was typical of social enterprise leadership in Queensland: 12 of the respondents identified as women, and 9 as men. However, outside the social enterprise sector, men dominate at the leadership level, with 65% of Queensland small businesses believed to be headed by males.³ This diversity was also reflected in the employee demographics: 57% of the sample claimed to have

³ Queensland Small Business Strategy Discussion Paper, 2019. DESBT.

disabled employees, with 52% having migrant/refugee or indigenous employees in their workforce.

We asked respondents to reveal whether senior leadership roles in their organisation were held by members of diversity groups ('do people from diversity groups hold leadership roles (supervisor level and upwards?') with all but one respondent answering in the affirmative. This unity in response was not reflected in the response to two other 'practice' related elements of the survey: 69% of respondents said their social enterprise had formal policies in place on diversity ('Does your social enterprise have policies around the attraction and retention of employees from underrepresented groups?') reflective in many ways of the age/level of maturity and size of the businesses in the social enterprise sector. Even fewer stated that their organisation had structures in place to *measure* diversity (40%) (Does your organisation have a formal process to collect diversity data?).

Workforce diversity in social enterprises in Queensland

Gender	71%
Disability	57%
Indigenous	52%
Migrant	52%
Neurodiversity	38%
Refugee	24%
Veterans	5%

Numbers reflect the percentage of respondents who state they have staff in each of these diversity sub-populations.

We asked a range of closed-ended questions to reveal respondents' overall sense of recruitment and retention challenges, and asked participants to evaluate a range of statements that gave a picture of their approach to diversity management. In addition, we asked four open-ended questions with respondents taking the opportunity to provide a rich insight into their practice in diversity management.

Qualitative data

Focusing first on the qualitative data, we asked respondents to reflect on their vision/policy, discuss the main challenges they experienced in implementing that vision, touch on how they overcame those challenges, and finally, asked them what, if anything they needed to better handle diversity management in their organisations.

Vision

Four themes emerged in the 'vision' responses.

Firstly, the respondents talked about seeing diversity through a *strengths-based lens*, hiring on the basis of what diversity brought to the table, rather than the problems 'accommodating' diversity might bring. This first theme links with the evidence showing that diversity of (say) language is not different from diversity of skills in offering agility and responsiveness to the workplace. "We hire based on what people can do" one manager noted, with several noting that they train staff so that they not only understand and are sympathetic to diversity, but so that they can leverage the benefits from workplace diversity.

A look at the language

The language used by the managers reflects a positive strengths-based mindset, using words like 'challenges', 'inclusive' and 'opportunity' to describe their approach to solutions. **'Support' was the most frequently used word in their discourse, used about fifty times more frequently than is normal in current written discourse.** Many of the respondents used the term "wrap around" in describing either their own solutions or the solutions that they sought for clients/customers.

The second theme related to *workplace culture*—the impact of diversity on culture, and the adaptation required in culture to maximise the benefits of diversity. So, one manager, whose social enterprise works with those impacted by the social justice system, noted that their enterprise not only provided a home for those with a very different ‘lived experience’, but that the acknowledgement of the strengths that can be drawn from lived experience also was used to manage the enterprises approach to its workplace. In other words, the ‘challenge’ became part of the ‘solution’. Another manager put this approach in more generic terms: “In contrast to [mainstream business]... that typically focuses on efficiency gains for profit maximisation, we actively re-think and re-design the way we work to maximise the wellbeing and positive social impact.” Another manager saw culture as something that had crystalised in the operation, and then was a template for new staff to work from: “as long as the person aligns to the vision of the organisation and willing to come on the journey”, they noted, all were welcome.

The third theme in the vision responses was one of *optimism*. One social enterprise, working with a workforce that would normally be considered challenging from a HR perspective, noted “many people require only minimal adjustment to enable them to do meaningful work.” Another very practical illustration of this positivity is the following brief case study offered by one of the respondents:

We recently completed a Launch into Work program in partnership with the Commonwealth Department of Employment and Workplace Relations which introduced us to the job service providers in our region. The program was a success and we employed all [*number excluded for reasons of confidentiality*] program participants who faced a range of challenges such as mental health, language barriers, and long-term unemployment.

The vision was not just to be ‘as good’ as those outside the SE sector, but to be better: “so [we] are held in the highest regard nationally and globally”.

Challenges

We asked participants to briefly outline “the main challenges that your social enterprise experiences in attracting and retaining employees from diversity groups”. Responses, interestingly, were more brief than the other sections, underlining the positive viewpoint of diversity held by our sample. Indeed, some of the participants responded to an explicit request for challenges by focusing on things that were *not* challenging (e.g. “attracting people is not usually a major issue”).

However there were some common themes.

Firstly, and foremost, funding. Funding was mentioned by well over 50% of respondents. More precisely, getting seed funding or funding raised in an initial burst of enthusiasm was not the problem. Sustainable funding, and the strain of *maintaining* adequate levels of funding was frequently mentioned. Obtaining funding for operations rather than particular projects, what one called “baseline funding” was particular problematic. Elsewhere the respondents referred to the challenges of keeping funders happy, one stating that the continual chasing of grants was only matched by efforts to “appease the fund(ers)”.

Recruitment/retention also arose prominently. Recruitment was referred to equally as relatively easy and a difficulty: those seeking particular skills, rather than an extra pair

of hands, expressed particular frustration about recruitment. Responses that touched on retention tended to be more negative, calling for more support in developing tailored mentorship programs for example. One particularly positive response in this section on challenges, however, gives a sense of where most of the respondents' mid-point lay on challenges—with the exception of struggles with funding:

We've not found many challenges in attracting a diverse workforce and retaining them has been easy, as we provide an equitable, fun and respectful workplace with loads of flexibility to create a genuine work life balance for all staff. Because we offer respect and flexibility, we find that the staff are all willing to be flexible as well, to support us to create a great service and workplace that feels like family.

Overcoming challenges

This last quotation gives a sense, too, of what emerged in the section asking respondents to explicitly focus on solutions. It is worth noting at the outset that respondents, regardless of the question asked, were solutions-focused, clearly habituated to solving problems independently (“we work hard to understand our employees and their individual needs”).

Developing a more three-dimensional understanding of staff, understanding what is happening with their employees outside working hours, is part of the solutions puzzle:

We encourage our staff to self-disclose any barriers that may prevent them attending shifts. This could be food insecurity, no fuel to get to work, no credit on their phones to accept shifts, or family/cultural issues. As they trust us, and realise we hold this information confidentially, and it is only so we can better support them, we build a better partnership with the that allows us to better support them.

As the respondent quoted above notes, overcoming challenges has a foundation in trust, but an additional baseline factor is, once again, funding. For some, providing services for a fee allows them to provide free services for others; in other cases, the social enterprises draw on external providers for specialist services, relying on economies of scale to reduce costs.

Despite their independent mindset, in addition to external providers, respondents referred frequently to the value of reaching outside their immediate circle, for colleagues in other social enterprises or outside the SE sector.

Assistance needed

We asked respondents to “briefly outline any assistance your social enterprise requires to overcome” the challenges they experienced in managing diversity. The responses here echoed closely those given in the ‘challenges’ section above. They spoke wistfully of rising above “grants, tenders, money & TIME beyond a political cycle”, a world where they accessed funding “untethered to specific projects or outcomes.” Even having a more simple funding application process would represent a relief for these time-strapped social entrepreneurs. Rather than calling for more funding, the message here is more nuanced. The sector is not looking for a ‘simple’ handout without payback in terms of social return on investment. The following thoughtful response for example shows that these SEs have considered the numbers on what they are doing:

Attracting, employing and supporting diverse employees to succeed at work long-term requires substantial resources, commitment and capacity for agile responses to unforeseen changes in individual employee circumstances. I would estimate the unfunded cost of this resourcing to be between \$20k - \$25k per employee per year and is non-accredited wrap around, on the job training and support.

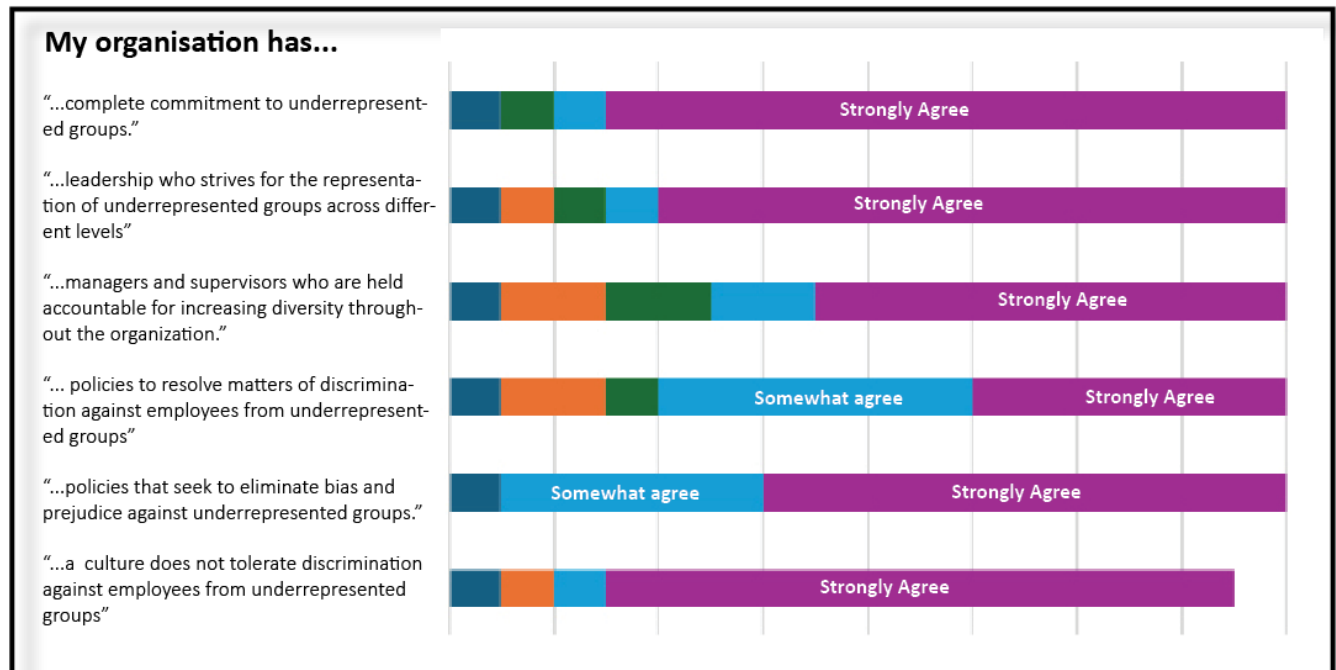
This \$25,000, they imply, needs to be balanced against the long-term benefit derived from engagement by at-risk communities in the economy. Amongst the other calls for help are greater engagement by the government in social procurement (“What we need is government to put their money where their mouth is and spend with social enterprise, we will do the rest”) and support for training—either greater funding for training in diversity employment, or increasing the availability of specialist training.

Quantitative data

The quantitative data not surprisingly complements the insights that emerged from the qualitative analysis. Here, again, when asked about attracting and retaining staff, it was clear that attracting staff from diverse backgrounds was not difficult, but retaining the staff was more of a challenge; by contrast, attracting skilled workers or professionals was harder than retaining them.

How challenging is...		
	Extremely challenging	Not at all challenging
Filling vacancies?	18%	25%
Attracting skilled workers or professionals?	27%	13%
Retaining skilled workers or professionals?	13%	20%
Attracting employees from underrepresented groups?	6%	38%
Retaining employees from underrepresented groups?	13%	20%
Addressing the turnover rate?	19%	44%

Similarly the results of questions asking about organisational commitment to diversity, and the degree to which that commitment is manifested in practice, was clear, particularly in the questions relating to non-tolerance of discrimination, commitment to under-represented groups, and managerial support for that commitment.



Overall conclusion

Regardless of whether or not diversity is a 'good' from the point of view of conventional firm metrics, engaging diverse populations in the workforce is undoubtedly of societal benefit. Expanding the bottom line from the individual/organisational outcome to the societal outcome dramatically changes the perspective on the benefits of diversity. While the evidence on a macroeconomic level may be "limited and inconclusive" (Carter, 2015) there are other societal benefits that lead governments to implement policy to increase workforce diversity: reduced unemployment and greater workforce engagement can lead (for example) to reduce crime, improved health (with associated benefits in terms of societal costs) and reduced dependence on social welfare.

While it is assumed that diversity in social enterprises is one of the ingredients that offers SE an advantage, it is clear that further research is needed to detail how social entrepreneurs draw on "diversity resources" in extracting these benefits (Bridgstock et al., 2010). British data suggests that social entrepreneurs are only marginally less prejudiced than their for-profit cousins, although the effect is stronger for worker-oriented environments than client-oriented environments (that is, where the worker is in a sense the 'client') (Brolis et al., 2018).

There is a relative paucity of literature in the Australian context, and indeed there is good Australian evidence that workforce diversity is not well understood at a management level in Australia, particularly outside the HR department (Davis et al., 2016). This study adds to previous work lead by CQU's A/Prof Huong focused on the Queensland resources sector, by providing detail to the broad generalisations about diversity, and drill into a sector regarded as an exemplar of good practice, to see what, if anything, we can learn from social enterprises.

In particular, the results of this relatively small sample of social enterprises in Queensland paint a provocative picture of social enterprise as a driver of impact in handling diversity that complements the case work presented as part of this study. It

presents an optimistic vision of diversity management that contrasts in many ways with the 'hurdles' seen in industry more broadly. It suggests social enterprises are not particularly self-conscious about their excellence at handling diversity: less than half even *measured* diversity formally. It also suggests that *recruiting* a diverse workforce is not difficult, but that some challenges remain when it comes to training and retention. The pay off for society in achieving retention of diverse workforces make this challenge one that society should meet.

The report adds colour and detail to the degree to which diversity management is an extension of the more personalised style of 'small business' management, where employees are all closer to the vision, the drive, and the decision-making of management than in larger or more profit-driven firms. The results indicate the hurdles that SE face are different to the non-SE sector. Their 'customer', in a sense, is the government—because they help to employ staff who might otherwise be overlooked in the marketplace, or contribute to important social outcomes that fully for-profit firms may overlook. Tasked with two-part societal role, managers of social enterprises are seeking help with obtaining more secure funding, streamlining access to fund-raising to reduce managerial focus on that aspect of their role, and support, mentorship and training in specialist skills associated with diversity management.

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