S*TRATEG*Y

PREPARING SMALL BUSINESS FOR
WORKFORCE 2000: A PILOT STUDY[1]

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ABSTRACT

This study examines the results of research designed to examine the relationship between the growing diversity of the American workforce and the personnel practices of small business. This paper accomplishes four goals: It 1) highlights the implications of the Workforce 2000 findings for small business managers' personnel practices; 2) reports the methodology and results of telephone and in-depth face-to-face interviews to determine if current small business human resource practices in a mid-sized, midwestern American city are responsive to changes in the workforce; 3) clarifies the strategy and tactics small business managers should implement to adapt their personnel programs to the changing workforce environment; and 4) serves as a pilot study for future research.

Results indicate that while small business owners are aware of the changing demographics of the American workforce and have, in fact, begun to reflect these changes by hiring more older workers and more females. Despite this, few have active programs to find, recruit, retain, and promote nontraditional workers.

INTRODUCTION

The Hudson Institute's report, Workforce 2000 (Johnston & Packer, 1987), as well as more recent research (Tower-Perrin, 1991; Jamieson & O'Mara, 1991), predicts fundamental changes in the demographics of the American workforce, including many more older, female, non-white, immigrant, disabled, and inadequately educated workers (Denton, 1992; Sussman, 1993; Kifor, 1990; Kanin-Lovers, 1990). Future workers will also increasingly participate in a variety of non-traditional lifestyles, such as extended family, single parent, dual career, and same sex living arrangements (Johnston & Packer, 1987; Dunn, 1991). Peter Drucker (1980) predicted that "population structures will be the least stable and most drastically changing element in economics, society, and world politics." More recently, Jamieson and O'Mara (1991) asserted, "We have moved from an era in which large portions of the workforce were assumed to be similar...to an era where the workforce is composed of many different individuals." The changes required to respond to these population dynamics "will stand on their head some of the most cherished beliefs and habits of business and government, of employers trade unions, and employees" (Drucker, 1980). This conclusion is echoed by researchers such as Jamieson and O'Mara in Managing Workforce 2000. Their analysis supports the thesis of Johnston and Packer (1987) that the best way for businesses to react to these changes is prepare for them now.

So far, no empirical research examined the effects of Workforce 2000 predictions on the practices and policies of small businesses, defined here as companies with under 100 employees. To fill this gap, this study has four purposes: 1) to highlight the implications of the Workforce 2000 findings for small business managers' personnel practices; 2) to report the methodology and results of telephone and in-depth face-to-face interviews to determine if current small business human resource practices in a mid-sized, midwestern American city are responsive to changes in the workforce; 3) to clarify the strategy and tactics small business managers should implement to adapt their personnel programs to the changing workforce environment; and 4) to serve as a pilot study for future research.

While no research has been reported on diversity in small business, one study, Tower-Perrin's Workforce 2000: A Survey Report on Corporate Responses to Demographic and Labor Force Trends (1990) is suggestive. It reports on the perceptions and personnel practices of mid-size and larger businesses. It found a relationship between company size and actions to promote diversity in the workforce in that larger businesses are much more likely to be aware of the findings of Workforce 2000 and to be implementing innovative personnel programs than are smaller businesses. Our pilot study specifically investigates small business managers' attitudes and practices toward diversity in the workforce.

IMPLICATIONS OF WORKFORCE 2000 PROJECTIONS FOR SMALL BUSINESS HUMAN RESOURCES PRACTICES.

Workforce 2000 indicates small business managers will have to significantly modify their personnel practices to meet the needs of a changing workforce. Each of the major implications are described below.

The 1990's will confront American small business with significant shortages of young workers.

The workforce will grow at its slowest rate since the 1930's (Johnston & Packer, 1987; Jamieson & O'Mara, 1991). John Naisbett (1982) pointed out that there will be 4 million fewer entry level applicants in the 1990's than there were in the 1980's, simply because there will be more people leaving the workforce than will be entering it. He asserted that young people will be especially scarce, with two million fewer people aged 16-24, or an 8 percent drop, in this segment during the 1990's.

Recent Census Bureau statistics confirm Naisbitt's prediction that the United States is experiencing a reduction in the number of available entry level skilled workers (Brown, 1990). Some of these changes are due to the impact of the "baby boom" of the mid-1940's to mid-1950's; and the "baby bust" that began in the late 1960's and continues into the 1990's (Johnston & Packer, 1987; Dunn, 1991; Jamieson & O'Mara, 1991). In addition, "a whopping 75 percent of men and more than 80 percent of women now opt to collect their Social Security before they reach the age of 65" (Dentzer, 1993). Drucker (1980) reports that these phenomena will affect small companies in two ways. First, those which offer traditional jobs in manufacturing will have difficulty finding young workers to fill these jobs.

Second, those in dynamic knowledge-based industries will have to work to recruit and retain highly educated professional and managerial workers. Woodward's (1992) research confirms this trend. However, major layoffs by large American companies have been identified as an offsetting influence by placing older, more skilled workers back into the labor pool (Jost, 1993).

Small service businesses will create virtually all of the new jobs, most of which will require higher levels of skill and education than ever before.

Continuing the trend of the 1970's and 1980's, virtually all new jobs will be created by small business. Over half the new jobs will be in service occupations, administrative support, and marketing and sales (Johnston & Packer, 1987; Woodward, 1992; Jamieson & O'Mara, 1991). Most of these jobs require above average scores in reading, math, and language. In fact, of all new jobs that will be created over the 1984-2000 period, more than half will require some education beyond high school. Almost a third will be filled by college graduates, indicating the higher level of skills needed to compete (Johnston & Packer, 1987; Behar, 1991; Warren, 1990).

In 1987 only 22 percent of all occupations required a college degree (Johnston & Packer, 1987). Today 30 percent of new jobs will require a college degree (Tower-Perrin, 1990). This figure probably underestimates the trend, given that many jobs (such as technical sales representatives and managerial accountants) currently held by high school graduates will be filled in the future by college graduates. In fact, "jobs that are currently in the middle of the skill distribution will be the least-skilled occupations of the future, and there will be very few net new jobs for the unskilled" (Johnston & Packer, 1987; Tower-Perrin, 1990).

This idea is disturbing, since the results of a 1993 study compiled by the National Center for Educational Statistics concluding that "90 million U.S. adults, 47 percent of the nation's adult population, possess only rudimentary literacy skills" (Associated Press, 1993). This data indicates that there may be, both now and for the future, a shortage of individuals with educational skills enabling them to fill the jobs our economy will be creating[2].

Labor market demographics will shift dramatically.

Labor market demographics will shift dramatically. The workforce will be increasingly female, mature, unmarried, non-white, and foreign born (Johnston & Packer, 1987; Jamieson & O'Mara, 1991).

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[2]   The US Dept. of Education conducted a study, cited in Johnston & Packer (1987) which showed that among 21-25 year olds, large numbers of workers lack basic skills. This study revealed the following:

- 40% of Whites, 60% of Hispanics, and 75% of Blacks could not locate information in a newspaper or almanac.
- 25% of Whites, 7% of Hispanics, and 3% of Blacks could decipher a bus schedule.
- 44% of Whites, 20% of Hispanics, and 8% of Blacks could correctly determine the change they were due for the purchase of a 2-item restaurant meal.

More Female

The biggest impact, according to Johnston and Packer, will be the "feminization of the workforce." Sixty-two percent of the new entrants will be women (Johnston & Packer, 1987). This is significant because studies show women have special employment and management needs.

For example, over half the women joining the workforce have children at home. Largely as a result of child care concerns, women, as a class, have higher rates of absenteeism (Johnston & Packer, 1987; Jamieson & O'Mara, 1991). Schwartz (1989) reports that most women want part-time employment, flexible hours, and/or stay-at-home jobs. Johnston & Packer (1987), supported by Schwartz (1989) concluded, "If employers fail to provide sufficient jobs with flexible working arrangements, more mothers may choose to leave the labor force during their child-rearing years, further reducing the numbers of new workers entering the workforce."

On the other hand, many women will also want to work full time and will expect the same opportunities as men. There will also be more dual career couples, indicating businesses will have to reconsider promotion policies if they wish to stay current and competitive (Schwartz, 1989). In addition, Deborah Tannen (1991) demonstrated that men and women communicate very differently, which can create significant difficulties if not addressed. With an increasingly female workforce, companies must be aware of these needs and be prepared to address them.

More Mature

Workforce 2000 predicted that the American workforce will be "middle aging" in the years ahead, with the average age climbing from 36 to 39 by the year 2000 (Johnston & Packer, 1987). Furthermore, with dramatically improved life expectancies, "older people have become the largest growing segment of the adult population," with the segment between forty-five and sixty-five years of age growing by over forty percent (Jamieson & O'Mara, 1991). Drucker (1980) and Kiechall (1990) both pointed out that one source of new labor will be workers who have retired from one job and are looking for a "second career." The expectations and training needs of the older worker who has had significant life and work experience will be quite different from those of younger workers. For example, older workers typically are less likely to leave their jobs, will generate higher wage and benefit costs, and demonstrate higher loyalty and higher job satisfaction (Johnston & Packer, 1987; Kiechall, 1990; Hacket, 1990; Jamieson & O'Mara, 1991).

More Unmarried

There will also be more unmarried employees, employees who tend to exhibit more absenteeism, more turnover, and less job satisfaction (Johnston & Packer, 1987; Augstrum, Baldwin, & Macy, 1988). The divorce rate remains high and individuals, particularly females, are exhibiting higher indices of individual choice and remaining single (Faludi, 1991).

<u>More Non-White and Foreign Born</u>

Nonwhite Americans will make up 20 percent of all new workers. White males will make up only 15 percent of all new labor entrants in the next 10 years. This has significant implications, given that research indicates that black employees have a 40 percent higher turnover rate than white employees (Jamieson & O'Mara, 1991). Other non-white populations also have higher turnover rates than white workers (Jamieson & O'Mara, 1991). Apparently, many blacks leave jobs because of their perception that they will not enjoy opportunities for advancement due to a "glass ceiling" (Jackson, 1986; Hornblower & Zintl, 1988; Dominquez, 1991-1992).

Immigrants will constitute 22 percent of all new workers. In fact, two-thirds of the world's global migration will be to the United States. "America can expect large-scale migration from Mexico, a very poor country with one of the largest labor surpluses and one of the highest unemployment rates" (Drucker, 1980). This is supported by Johnston and Packer (1987) who assert that early in the twenty-first century, people of Hispanic origin will make up 20 percent of the total US population; and cities such as San Francisco will have Asians as a majority of their citizens (Drucker, 1980; Johnston & Packer, 1987; Tower-Perrin, 1990). Studies support the argument that immigrants are "self selected" strivers . . . people who have the courage to pull up roots and start over in a new life." They will fill a skills gap as "machinists and engineers, nurses and sushi chefs" (Roberts & Andrews, 1993).

Ethnic minorities are exercising increasing market power.

Blacks and Hispanics make up a $425 billion annual consumer market, one that will grow to $650 billion by 2000. This is a market larger by far than the U.S.'s combined total exports to Japan and Canada, two of the United States largest international consumers (Johnston & Packer, 1987; Jamieson & O'Mara, 1991). These demographic trends indicate that businesses that wish to tap into this market will need to examine their practices and restructure them in a manner that allows them to attract the buyers from these populations.

Summary of Implications of <u>Workforce 2000</u>.

The labor force's projected growth of female, mature, non-white, Hispanic, and Asian populations suggest that small business managers will need to educate themselves on how to adjust their business practices to manage and motivate culturally distinct employees. Otherwise, these non-traditional workers may leave for work environments more responsive to their needs.

Findings suggest that small businesses will be recruiting not only women and a variety of ethnic minorities, but also individuals who differ significantly in age, appearance, physical ability, experience, and lifestyle.

THE GREATER CINCINNATI STUDY

This research was designed to answer questions about the response of small business managers to the changing workforce. The following types of questions were asked to examine this phenomenon.

1) Do small business managers perceive that demographic changes are occurring in the workforce?
2) Are the management practices implied by demographic projections being implemented by small business managers?
3) Are small business experiences and practices in addressing the changing workforce consistent with those of larger companies?

Research Methodology

Procedures

A two-tiered methodology was used in this research. Quantitative data was gathered using an extensive telephone survey and qualitative data was gathered through in-depth personal interviews with business owners. Different populations were interviewed for each part of the study. Based on the logic of Thomas and Tymon (1982), McCall and Lombardo (1978), and Mitroff and Pondy (1974) concerning the use of qualitative as well as quantitative measures in organizational research, both the results of the telephone interviews and the face-to-face interviews are discussed here. McCall and Lombardo (1978) asserted that, by themselves, "well-structured methodologies do not work for the dilemmas of the real world." Using both qualitative and quantitative methods "leads to improved descriptive relevance with both internal and external validity ... with improved applicability to practical concerns" (McCall and Lombardo, 1978). Mitroff and Pondy (cited in McCall and Lombardo, 1978) added that researchers need to collect "qualitative unstructured data and structured quantified data" because "neither of these has much meaning ... except in relationship to each other." Qualitative information gives the researcher a clearer sense of the values and the emotional depth of reaction of respondents. Vaill (cited in McCall & Lombardo, 1978) concluded that one can only draw valid insights when using both methods, which allow for the understanding of both facts and values. The qualitative data was not transformed quantitatively, and is simply summarized where appropriate.

Sample

The sample population for this research was drawn from the Cincinnati Institute of Small Business Directory (1992), published by the Greater Cincinnati Chamber of Commerce. One of the criteria to be listed in this directory is to have less than 100 employees. They indicate that over 80 percent of the businesses in Cincinnati meeting their criteria are listed in their directory (Cincinnati Institute of Small Business, 1992). Names, addresses, and the type of business are also listed. Drawing from this list produced representative samples of the Cincinnati area, which may represent a microcosm of the nation inasmuch

as the labor market will change dramatically in the next five to ten years due to the rapidly changing demographics of the labor force (Ludlow, 1989).

Attempts were made to contact each business from every other column on every fifth page of the directory. Two attempts were made to contact each business. A total of 248 companies completed the survey (91 percent return rate), and only owners (90 percent) or managers (10 percent) were interviewed. The 20 face-to-face interviews mentioned earlier were conducted with the owners/managers of small businesses selected by a random numbers table from the Cincinnati Institute of Small Business Directory, and meeting the same criteria as the telephone interviews.

Telephone Survey

A telephone survey was designed to interview small business owners/managers. The businesses were drawn randomly from a list of companies belonging to Cincinnati Institute of Small Business, a group affiliated with the Greater Cincinnati Chamber of Commerce. As stated earlier, a total of 248 companies completed the survey.

Each of the respondents was asked to evaluate five statements about the nature of the American workforce and two statements about their awareness of and response to the changing demographics of the workforce. The statements each tested a major assumption of the Tower-Perrin Workforce 2000 report (Tower-Perrin, 1990). Small business owners/managers were asked to choose from the following responses: "strongly agree, agree, don't know, disagree, strongly disagree" for the following statements: 1) There are fewer entry level workers today; 2) The U.S. is in a national labor shortage; 3) The workforce has more older workers today; 4) There are more women in the workforce today; 5) We have a more culturally diverse workforce today; 6) Most business owners I know are aware of and concerned about the changing demographics of the workforce; 7) Many business owners I know are formulating new approaches to recruiting ethnic minorities, women, and older workers.

Face-to-Face Interviews

A survey guide was used to conduct 20 half-hour face-to-face interviews with a group of Cincinnati area small business owners, including females and blacks as well as white males. The sample consisted of 20 businesses that fulfilled our requirements of fewer than 100 employees, being listed in the directory, and agreeing to speak with us. The objective of this phase of the research was to receive in-depth reactions to the increasingly diverse workforce, including attitudes toward government efforts to encourage diversity in the workplace. Service, construction, and manufacturing businesses were included in the sample.

Limitations To The Study

The most obvious limitation to this study is that we only used Greater Cincinnati small businesses. Although the Cincinnati Institute of Small Business (1992) discusses the

fact that Cincinnati is a representative city, clearly, this study only reflects the population of one city. The study did not distinguish among the sizes of various companies except to exclude companies with more than 100 employees. No attempt was made to control for industry, sales volume, age of the company or any other variable.

RESULTS FROM THE GREATER CINCINNATI STUDY

Survey Data

Question #1:   There are fewer entry level workers in the workforce today.
Finding: Small business owners have not experienced increased difficulty in locating young workers.

As shown in Table 1, 62.9 percent of small business managers interviewed by telephone do not believe there are fewer entry level workers in the workforce today. The face-to-face interview data support this conclusion, indicating that most small business owners are not experiencing a problem in finding qualified young applicants for positions in their companies. This is contrary to a demographic prediction of Workforce 2000 that competition for hiring young workers would intensify because the number of people retiring from jobs will outnumber the number of new entrants (Johnston & Packer, 1987; Naisbitt, 1982).

In fact, a number of the survey participants not only reported they had found good entry level employees in ample supply, many also reported that they were employing better qualified and experienced people than they had historically recruited. Almost all attributed this fact to the impact of "total quality" programs, which they believe led to large scale layoffs of highly qualified employees by large companies (Jost, 1993).

TABLE 1

Responses to "There Are Fewer Entry Workers in the Workforce Today

Response	Number	Percent
Strongly Agree	37	14.9
Agree Somewhat	46	18.5
Don't Know	9	3.6
Disagree Somewhat	63	25.4
Strongly Disagree	93	37.5

Note: N = 248

Question #2: There is a national labor shortage today.
Finding: Small business owners have not yet experienced a labor shortage.

Related to the above conclusion, and as seen in Table 2, only 33.4 percent of the telephone interview respondents agreed that there was a national labor shortage. In fact, only 15.7 percent agreed strongly with this statement, while 62.5 percent disagreed. This data contradicts a key premise of previous studies, that a shortage of qualified workers would encourage owners to create more welcoming environments for the increasingly multicultural workforce (Jamieson & O'Mara, 1991; Cox, 1993).

TABLE 2

Responses to "There is a National Labor Shortage Today"

Response	Number	Percent
Strongly Agree	39	15.7
Agree Somewhat	44	17.7
Don't Know	10	4.0
Disagree Somewhat	68	27.4
Strongly Disagree	87	35.1

Note: N = 248

Question #3: There are more older workers in the workforce today.
Finding: Virtually all small business owners have recognized the aging of the workforce.

As shown in Table 3, this was the most strongly affirmed finding of the study with 71.8 percent of telephone respondents "strongly agreeing" that there are more older workers today.

TABLE 3

Responses to "There are More Older Workers in the Workforce Today"

Response	Number	Percent
Strongly Agree	178	71.8
Agree Somewhat	56	2.6
Don't Know	4	1.6
Disagree Somewhat	7	2.8
Strongly Disagree	3	1.2

Note: N = 248

Furthermore, a number of participants indicated they were, in fact, hiring an older workforce, confirming a trend identified in the Workforce 2000 report. During the face-to-face interviews, one manager of a service organization claimed there was an unstated rule that managers they hire not be under 40. This to assure maturity both in appearance and in action. Another claimed he hired older women "because they don't get pregnant." A third hired older workers because he believed younger people "do not understand the work ethic."

One exception to this result was a construction manager who preferred hiring men in their 20's, largely because the work requires strength and agility. These results, while positive in some respects, also indicate some small businesses continue to hold stereotypical views of the relationship of age and work behavior.

Question #4: There are more women in the workforce today.
Finding: Many small business owners have recognized the feminization of the workforce.

Eighty-three percent of telephone interview respondents agreed that the workforce contains more women today. About 31.0 percent of respondents "strongly agreed" and over half (52.4 percent) "somewhat agreed" with this statement. This shows that small businesses in Cincinnati have directly experienced the growing "feminization of the workforce," a major assumption of the Hudson Report (Tower-Perrin, 1990).

TABLE 4

Responses to "There are More Women in the Workforce Today"

Response	Number	Percent
Strongly Agree	77	31.0
Agree Somewhat	130	52.4
Don't Know	7	2.8
Disagree Somewhat	30	12.1
Strongly Disagree	4	1.6

Note: N = 248

In fact, during the face-to-face interviews, a number of businesses reported hiring more women in recent years. A company that conducts market research hires a large number of women because most of the respondents to their surveys are women. As a manager pointed out, they could "easily do business with an all white female staff," but not with a black male staff, because only the former would have sufficient empathy with those customers the business surveys. Another said recruiting women was not an issue because their staff already employed several "aggressive" women. One interviewee reflected what appears to be unconscious sexism when he pointed out that he had hired a number of "gals" to be bookkeepers.

Question #5: We have a more culturally diverse workforce today.
Finding: Small business owners have reacted in a variety of ways to the growth of the workforce population of Black, Hispanic, and Asian employees.

Sixty-one percent of telephone respondents agreed that the workforce is more culturally diverse today, as shown in Table 5, while 32.6 percent disagreed with this analysis. Only 21.8 percent agreed with this statement strongly. This confirms the results of the face-to-face interviews, that suggest that small businesses are experiencing the impact of the growth of ethnic minority populations differently. Significantly, the Tower-Perrin report (1990) indicated that only businesses which showed a strong awareness of, and interest in, the changing ethnic mix of the workforce were likely to take steps to respond to this workforce trend. Most survey participants reported that they had not hired more ethnic minorities, and none of the businesses had the kind of recruiting, training, development, and promotion policies advocated by management experts.

For example, one manager of a service firm asserted that "the quality of our workforce would suffer if we had to hire minorities." Another manager in construction pointed out that "no blacks or women had ever applied to work in our company because it [was located] in a relatively rural area where few blacks lived and because no area women appeared to be

TABLE 5

<u>Responses to "We Have a More Culturally Diverse Workforce Today"</u>

Response	Number	Percent
Strongly Agree	54	21.8
Agree Somewhat	97	39.1
Don't Know	16	6.5
Disagree Somewhat	67	27.0
Strongly Disagree	14	5.6

<u>Note:</u> <u>N</u> = 248

interested in heavy construction work." A third manager pointed out that the highly affluent, almost all white, neighborhood in which his retail store was located required that he hire similar people to work in his store. A fourth claimed he did not see any business advantage to hiring minorities.

This view was not unanimous. A beverage distributor pointed out he hired a significant number of blacks, claiming "we want a mix of color because we sell a lot to the black community." He also hired a female wine sales representative so his sales force would better mirror the consumers of this product. A software company manager pointed out that she has hired blacks in every area, but that it was not something her company set out to do. Another that had not yet hired any minorities planned to when the business grew larger in

order to get a wider number of perspectives on his customers and suppliers. One respondent indicated her company employed a disproportionally high number of Asian engineers because the supply of them was so abundant.

Question #6: Most business owners I know are aware of, and concerned about, the changing demographics of the workforce.

Finding: Small business managers are aware of changing workforce demographics.

As seen in Table 6, 73.0 percent of the telephone interview respondents are aware of the changing demographics of the workforce. This high level of awareness indicates that some information on the changing demographics of the workforce has already reached small business managers. This could suggest that some small business owners are at least likely to be scanning their environments to see if their experiences match those predicted by experts.

TABLE 6

Responses to "Most Business Owners I Know are Aware of, and Concerned About, the Changing Demographics of the Workforce?

Response	Number	Percent
Strongly Agree	70	28.2
Agree Somewhat	111	44.8
Don't Know	9	3.6
Disagree Somewhat	49	19.8
Strongly Disagree	9	3.6

Note: N = 248

Question #7: Many business owners I know are formulating new approaches to recruiting ethnic minorities, women, older employees, and handicapped workers.

Finding: Small businesses are beginning to adapt to the changing demographics of the workforce by formulating new approaches in recruiting.

As shown in Table 7, 58.9 percent of the telephone interview respondents agreed they knew business owners who were formulating new approaches to recruiting employees, especially older workers and women. Twenty percent agreed strongly and 28.6 percent disagreed. This shows that many small business owners are beginning to respond to the new workforce, although a substantial number are not.

TABLE 7

Responses to "Many Business Owners I Know are Formulating New Approaches to Recruiting Ethnic Minorities, Women, Older Employees, and Handicapped Workers"

Response	Number	Percent
Strongly Agree	50	20.2
Agree Somewhat	96	38.7
Don't Know	20	8.1
Disagree Somewhat	71	28.6
Strongly Disagree	11	4.4

Note: N = 248

Face-to-Face Interview Findings

As stated earlier, the in-depth face-to-face interviews allowed respondents to address questions about diversity in more depth than did the telephone interviews. Each question addressed what priority diversity has to small business.

Finding: **Adapting workplace practices to the more diverse workforce is not a high priority of small business.**

When asked in the face-to-face interviews what key issues faced their companies, none of the business managers mentioned diversity. The largest number of the in-depth interview respondents identified the state of the economy and the quality of their products or services as their most pressing issues. None volunteered diversity. When asked to rank diversity on a scale of 1 to 10, with 10 being the highest score, only one ranked it higher than a 5, and the rest lower.

Finding: **Few of the managers were in favor of quotas or affirmative action programs.**

During the face-to-face interviews, one respondent pointed out she was "playing for survival, not social welfare." Another said "diversity is bullshit," and another that "I'll hire certain people when the government guarantees that I won't lose money. Otherwise they shouldn't tell me who to hire." A fourth said she discriminates on the basis of intelligence, and not race or gender. The common view was expressed best by a computer manager who said that an empty seat was preferable to hiring the wrong person. Two interviewees did assert that affirmative action is required to eliminate the inherent racism of society.

Finding: **None of the companies reported active programs for recruiting, training, and developing a diverse workforce.**

Most of those interviewed face-to-face used networking and newspaper advertisements as tools for recruitment. None offered any type of training in diversity. Most reported they limited employee education to on-the-job training. Others offered additional job-specific training by purchasing video tapes or sending employees to meetings and conferences. Only one company had an active development program. It agreed to pay for part of the cost of an employee pursuing a college degree. This same respondent reported the experience was not entirely positive because a number of employees left the company after receiving their degrees. Virtually all the companies used higher salaries and benefits as a means of retention. None had programs specifically aimed at retaining ethnic minorities However, a software company owned by a woman developed specific benefit programs to retain female employees, including flex-time scheduling, work-at-home programs, and pregnancy leaves.

These results indicate many small business managers are doing little to address diversity issues, as they have yet to recognize "the handwriting on the wall." Furthermore, they will find information on diversity to be more credible if they see it as coming from a non-government source (e.g. friends), or if they see it as positively impacting their "bottom line."

PROGRAM FOR SMALL BUSINESS DIVERSITY EDUCATION

The new population dynamics represent a major shift in the business environment. Small business managers recognize that there are now a variety of labor forces, "each with different expectations, different needs, and different characteristics . . . . It can only cause trouble to treat them as a homogeneous entity" as Drucker described the situation in 1980. Furthermore, "Today's workforce is characterized by a mix of values ... persons with differing values frequently work side by side; managers (owners) must be careful not to make assumptions about employees' values that may be incorrect." (Jamieson & O'Mara, 1991).

Given the tentative steps small business owners have taken in response to the growing diversity of the workforce, small business educators need to take the lead in 1) informing small business managers of the realities of the new workforce, and 2) explaining the rationale for promoting workforce diversity and the steps to take in implementing a diversity program.

Explaining the Rationale for Diversity

As the in-depth interviews revealed, small business owners will not be persuaded by arguments to prepare for the new workforce if they perceive it as an additional affirmative action or quota program (e.g. "lip-service"). Instead, educators should demonstrate that promoting diversity is a business necessity--a solid business decision--with a positive rationale behind it (Thomas, Jr., 1990). As Rosabeth Kantor (1983) demonstrates, companies with progressive human resource policies have higher long-term profitability and financial growth than their non-aggressive counterparts.

Done well, a diversity program can result in improved profitability because of three factors: 1) improved ability to deal with customers; 2) better management of all workers; and

3) better ability to recruit the best of all talent available. Each of these factors is discussed below.

1)   **A diversity program improves an organization's ability to meet the needs of customers.**

Business success in large part is a reflection of a superior understanding of consumers and their needs. To sustain this superior understanding of consumers, small businesses must develop a workforce that reflects the demographics of its customers. Who better knows the needs of women, Blacks, Hispanics, Asians, the handicapped, the dual career family, and the single parent family than women, Blacks, Hispanics, Asians, the handicapped, dual career couples, and single parents?

Promoting diversity can also help on the international front, an area of major opportunity for American small business (Schwartz, 1989). Markets both at home and abroad are becoming more competitive and demanding. Therefore, it is critical that organizations develop workforces that are effective in dealing with a diversity of cultures, not only within their own organizations, but also in terms of the workforces of their national and international suppliers, distributors, and customers. Companies that train their own employees to be more sensitive to those of other cultures as well as hire employees who have strong cultural ties to the international areas in which business is being conducted, will be at a clear competitive advantage to those who do not.

2)   **A diversity program will help develop better management of all company talent.**

Participants from all levels of organizations have commented that diversity training has broadened their horizons and expanded their enjoyment of different people. They find that they appreciate others more and that their co-workers appreciate them more now that they better understand each other (Nelton, 1988; Copeland, 1988).

Diversity training also prepares managers for the new roles the future will force them to adapt as teachers, mentors, and nurturers of highly specialized professionals, knowledgeable workers who often will have more detailed knowledge of job-relevant subjects than they do. Thus, it is important to have a program to develop and reward managers who can effectively manage people in what Peter Drucker (1980) calls "turbulent times." As he points out, increasingly, managers and/or owners must act as assistants, resources, and teachers. The new elements in the labor force - whether they are physically handicapped, working part-time, single parents, or minorities with various ethnic backgrounds - require different leadership than supervisors have traditionally been trained to give (Drucker, 1980). As Jamieson and O'Mara (1991) put it: "Flexibility is the password to managing the changing workforce," and this is the key to success.

3)   **A diversity program also improves the ability to recruit, develop, and retain the best of all available talent.**

Workers will be attracted to companies in which they know they can succeed on merit and in which their ideas will be listened to and respected, regardless of race, gender,

handicap, or ethnic origin (Copeland, 1988; Denton, 1992; Jamieson & O'Mara, 1991). Therefore, a framework is provided to assist small businesses in developing practices that allow them to accomplish this.

Implementing a Diversity Program

Some steps small businesses can take to implement successful diversity programs include the following:

1.   Make the development of a multicultural work environment a priority.

The Tower-Perrin survey (1990) shows that top management support is crucial for success. "Among organizations where concern about labor shortages is reflected in strategic plans, 42 percent recruit nontraditional workers, such as the handicapped or elderly, and 51 percent apply a marketing approach to hiring."

By contrast, among those that have not yet translated concerns about diversity into specific plans, just 16 percent recruit from non-traditional sources and only 35 percent market to prospective candidates. Their surveys also revealed large businesses were far more likely to fall into the former group, and small businesses in the latter group.

An initial step for top management in developing a diversity program is to inform its employees of its strong commitment to diversity. The key to success here is demonstrating that diversity is not simply an equal opportunity commitment or an affirmative action plan. Rather, it is a business decision that effectively prepares the organization for the future and builds a substantial competitive advantage.

2.   Build a diverse organization through effective recruiting, an area where many small businesses need to improve.

Small businesses, in general, are far behind their larger counterparts in this area, as clearly evidenced by the data collected during this research. This study confirms the Tower-Perrin (1990) report that companies that recruit less than 75 entry level workers annually are only half as likely as companies that hire 300 or more entry level workers annually to have articulated diversity programs (e.g. small businesses vs. big businesses).

To recruit a diverse workforce, small business managers should investigate making more intensive use of "small business appropriate" recruiting tools, such as placement office interviews at local colleges and trade schools, co-op programs, internships, presentations on college and high school campuses, and community involvement. Successful recruiting also requires a commitment to meeting numerical targets. While not the "quota programs" of old, experience indicates that if an organization does not have a given minority goal, it will not develop a method for finding qualified minority workers. As a result, the business will find it does not have minority workers on its workforce. Recruiting is only an initial step.

3.   Small businesses should also provide growth and development opportunities for all.

The key to the success of a diversity program goes beyond meeting statistical targets to creating an environment in which people focus on sharing ideas freely for the good of the individual as well as the company. Thus, quality training and development opportunities must be made available to each individual. Yet, a great majority of small businesses are lacking in this area. The Tower-Perrin (1990) survey indicated that over two-thirds of large companies, and more in the small business sector, spend less than $2,000 per year on any kind of training. Diversity training - with visible top management/owner support - often is effective in gaining support for diversity programs among middle management as well as administrative and technical workers. Low cost, "small business appropriate" training, including videotapes and workshops in education settings (Copeland, 1988) are increasingly available to small business owners (e.g. Jamieson & O'Mara, 1991) and have shown to be effective (Cox, 1993). For example, Mainiero and Tromley (1994) report:

> "A study of seventy-five Canadian consultants found that people exposed to even the most rudimentary form of training on cultural diversity are significantly more likely to recognize the impact of cultural diversity on work behavior, and to identify the potential advantage of cultural heterogeneity in organizations."

Small business owners may even have to offer remedial education to poorly trained employees and to those who speak English as a second language. In light of the facts about the growing skills gap between what abilities new jobs will require and the inadequate preparation in language and mathematical skills of many young adults, investing in training has become a necessity, not an option. Alternatively, they may also need to "de-skill" jobs so less literate workers can fill them (Behar, 1991).

4.   Realigning Policies and Practices to Adhere to Diversity Policies.

Additionally, small businesses should not expect their new employees to do all the adjusting. They should work to achieve mutual adjustments, where employees work together to benefit from their differences, rather than argue about them. Company-wide social events, new member orientations, and informal mentoring programs have all been effectively employed to encourage diversity acceptance (Cox, 1993; Malone, 1993). This environment leads to a more harmonious existence and greater productivity (Jamieson & O'Mara, 1991), which in the long run boosts the "bottom line." Conversely, "(strained) cultural differences can and do increase cost through higher turnover rates, interpersonal conflict, and communication problems." (Cox, 1993). Organizational adjustments should include taking into account the family circumstances, ethnic cultures, and disabilities of employees. Small businesses should consider a variety of techniques to adjust to changing lifestyles, including flextime, job sharing, "mommie tracks," sick leave care for children and elderly parents, pregnancy leaves, and part-time work (Johnston & Packer, 1987; Schwartz, 1989).

Part of the adjustment includes making sure promotions and salary increases are based on contribution, with no one disqualified because of gender, race, political views, ethnic origin, religious creed, or physical handicap. The knowledge, maturity, and experience of the new workforce needs to be reflected in personnel practices. For example, older workers who had significant prior work experience, including mature women who had been "Chief

Executive Officers" in their own homes while raising children, need very different training than employees fresh out of high school or college. Small business owners also need to abandon limiting stereotypes, such as assuming that some positions can only be filled by men and others by women (Jamieson & O'Mara, 1991; Drucker, 1980).

SUMMARY

Workforce 2000 (Johnston & Packer, 1987) indicated that in the future, the American workforce will be older, as well as more heavily female, black, Hispanic, and Asian. Lifestyle changes, such as the growth of single parent and dual career families will also affect small business personnel practices. In addition, higher levels of education and training will be required to prepare many new labor entrants for the skills needed for tomorrow's jobs (Jamieson & O'Mara, 1991). Consequently, to adapt to these changes, recruitment, training, retention, and promotion practices in small businesses must change.

As the results of the two surveys discussed here indicate, most small business owners in a mid-size city such as Cincinnati have experienced some of the effects of a changing workforce, especially in employing older workers and women, and to a lesser extent, ethnic minorities. While many are aware of projections that the workforce is changing, a number continue to hold stereotypes of many potential workers, which limits their opinions as to the possible contributions of these workers. Furthermore, only a few have begun taking initial steps to adapt their businesses to the changing workforce.

The data also indicate that most small business owners in Cincinnati do not hold diversity as a high priority; have not had trouble recruiting employees; and are not strongly behind government efforts to promote a more diverse workforce through laws. This indicates many small business owners are likely to move slowly and reluctantly to adapt to changing demographics.

In response to this situation, business educators need to develop programs to educate small business managers to the facts and implications of the new diverse workforce, including the rationale for a diversity program and suggestions for implementing new personnel procedures to adapt to the new workforce realities.

CONCLUSION

This study is only the beginning of the process. Research must be done on a national scale to see if the results of this study generalize beyond the boundaries of the greater Cincinnati area. Also, the next phase should group the companies by industry and begin to delve into cost/benefit issues related to diversity activities.

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