

## CHAPTER 6



# *Understanding Referent Groups and Diversity* A Key Challenge for Human Resource Leaders

MARSHALL GOLDSMITH AND  
R. ROOSEVELT THOMAS, JR.

**A**S OUR ORGANIZATIONS become more global and more diverse, it becomes critical that leaders in human resources understand how different referent groups can impact the behavior of people in their organizations. The concept of *referent groups* can be a useful tool for understanding diversity in organizations, on both a global and local scale. It can also help us understand behavior that may otherwise appear to be illogical or irrational.

A referent group can be defined as any group that an individual sees as a source for his or her identity. Our referent groups define a large part of who we are. While we all have multiple referent groups, our *primary referent group* can be defined as the group that is the major source of our identity.

### Referent Group Dynamics

We all tend to judge others as being “right” or “wrong” from the perspective of our own referent group. More specifically, members of different referent groups are inclined to define *ethics* and *morality* from the perspective of their group. It is critical that leaders in human resources are able to *understand* others’ perspectives without necessarily having to *judge* them.

The size of our referent group may range from “the world” to “me” and almost anything in between. For example, some people see themselves as “citizens of the world.” They may even be willing to sacrifice what is good for most living humans to do what they think is right for the long-term survival of the planet. They might see sacrificing the organization or even other individuals (including themselves) as something that is highly ethical. Some see the organization as a key referent group. In Chapter 7 of this book, Katzenbach, Canner, and Feigen discuss building *pride* in the organization. They suggest a positive approach to making the organization an important part of the individual’s identity. At the other extreme, some people are focused on “me.” They are willing to sacrifice what is good for the world to benefit themselves. Adrian Furnham discusses this phenomenon in Chapter 11, “The Icarus Syndrome.” In most organizational life, either extreme—excessively global or excessively individual—will usually produce problems.

Some major referent groups include: gender, philosophy, country, geographic area, ethnic group, race, sexual orientation, work team, extended family, and nuclear family. To assume that the organization is anyone's only referent group is naïve. For each of us, varying parts of our identity are connected with multiple groups. This may vary with age. For example, *family* is a major referent group for children ages 6 through 12, while *peer group* becomes a more important referent group between the ages of 12 and 15. Younger people tend to have less identification with the organization as a referent group, while older, more tenured employees tend to have more corporate identification.

Historical events can change our referent groups. In the United States, the 9/11 attacks caused many young people to strongly identify with America; whereas the Vietnam War caused many young people to identify less with America. Before World War II, identification with race was much more common; after World War II, primary identification with race has become much less acceptable. We in human resources need to be sensitive to these changes and know how they can impact the perceptions of employees.

There may be major differences between the referent groups with whom we *pretend* to identify and those with whom we *really* identify. For example, in the 1950s American corporate world (of Sinclair Lewis), it was "politically correct" to pretend that the corporation was more important than "ourselves" or even "our family." Ironically, while the essence of capitalism is self-interest, it has often been considered inappropriate to overtly demonstrate any self-interest when working for a major capitalist corporation. Jeffrey Pfeffer (Chapter 31) puts forth a brilliant analysis of how this pretense "plays out" in daily corporate life.

The need to pretend that the organization is the only referent group is changing. For example, many of the highest-potential knowledge workers now define themselves as "free agents." Free agents, "while interested in pursuing many different goals, are more interested in pursuing what *they* want to pursue." They are not interested in sacrificing their lives for the "good of the organization." Organizational leaders and those in HR (who have more of an organizational identity) may perceive these workers as "selfish"; however, we need to understand that these high-potential knowledge workers can be great "team players" in an organization that recognizes their perspective and builds win-win relationships. An effective HR person "must build partnerships with top performers that recognize their needs and keep them motivated to stay with the company (rather than join the competition)."

One of the best ways to understand the power of referent groups is to focus on *behavior* more than words. By observing behavior and then asking ourselves, "Which referent group is the person *really* serving?" we can begin to understand the deeper rationale for behavior that may have appeared illogical.

Many of the differences that exist among people are easily understood when we know their different referent groups. If you believe that the encroachment of the western world will lead to the demise of your "pure" religion and your primary referent group is this pure religion, it is perfectly acceptable (or even noble) to do almost anything to stop this encroachment. From this perspective, killing "nonbelievers" is not only acceptable, it is "holy."

In a corporate setting, if you believe that your family is your most important referent group, it can be perfectly logical to go home early and not “worship the corporate God.” It can be noble to turn down promotions (even though this may show a “lack of ambition” to others). In Chapter 4, Beverly Kaye, Devon Scheef, and Diane Thielholdt provide some creative solutions for motivating workers from different generations who may have different referent groups.

Recently, several executives in major U.S. corporations seem to have made “the executive team” a more important referent group than “our company.” This focus has led to behavior that is designed to benefit executives at the expense of the stockholders, employees, and customers. While these executives may have “failed” from one perspective, many “succeeded” in acquiring millions (or even billions) of dollars while avoiding prison.

This opinion piece is not designed to say that cultural relativism is an inherently good philosophy. In fact, cultural relativists can be just another form of a referent group. They can define themselves as “intellectually superior” to people who have a well-defined set of core values. Many organizations have clearly defined values that relate to key referent groups. It is important for those in the human resources field to understand that multiple referent groups (that may not be on the values statement) can also be a key part of an employee’s identity. This is especially true outside the western world. It is also critical for HR leaders to understand that when *any* referent group requires behavior that damages “our organization” potential problems may well arise.

Our suggestion is that we can all increase our own interpersonal effectiveness by better understanding the powerful concept of referent groups. We can better understand that perfectly logical people have very different views on the world. We don’t have to agree with these views (or even respect them) to see how they can dramatically impact behavior. By understanding our own referent groups and the referent groups of others, we can often “agree to disagree” without wasting our time trying to convert each other. Even more important, people in our organizations can more easily disagree with each other without having to judge each other. By having a deep understanding of the impact of referent groups, HR leaders can help organization members communicate more efficiently and more effectively. We can also better motivate employees to work together without having to have the same beliefs.

## **Implications for Managing Diversity**

Multiple referent groups add to the complexity and diversity faced by HR leaders. As referent groups become more diverse, the challenge of effective integration becomes greater. This will become even more the case in the future. The catalyst in driving the importance of referent groups is not that referent groups have proliferated in number, but rather that people are more comfortable in being different and open about their various loyalties and identities. The need to “pretend” to be like everyone else is declining.

So much is said today about differences, that we forget how unacceptable it was to be different a few years ago. To be different meant you were lacking or inadequate in some fashion.

Only recently have we in the United States endorsed the notion that differences are not necessarily bad.

This shift in attitude can be attributed to several factors, including:

- The increasing ease of global communication and travel has made it easier for immigrants to retain their identities with their national and geographic origins, while simultaneously meeting their responsibilities as U.S. citizens.
- The Civil Rights' Movement said to people of color that one does not have to be white to be okay.
- The Women's Movement said to women one does not have to be male to be okay.
- Changes in family authority patterns legitimize the expression of differences by children. Years ago, in many families, to question parental decisions indicated a lack of respect; today, doing so is more likely to be viewed as a healthy sign of independent thinking or the inquisitiveness necessary for effective learning.
- The growing prevalence of "knowledge workers" gives rise to a group of employees who, because of their expertise and experience, expect to have the freedom to be different.
- In the context of globalization, it is becoming apparent that the American Way is not necessarily always the most viable option.

As a consequence of the more openly expressed commitments to referent groups, today's HR leaders and those of the future, unlike their counterparts of the past, must achieve coherent and productive effort from individual contributors with varied agendas. Stated differently, those in HR must preside over a sea of conflicting loyalties. If they cannot generate consistent, focused results from this complexity and diversity, the viability of their enterprise will suffer.

A major challenge is deciding whom to include and retain, and whom to exclude. For many, a strong temptation will be to pursue less diversity, and thus, more workforce homogeneity. However, this should not be the emphasis. The goal should be the attainment of consistent, high performance. If identification with a referent group will inhibit performance, this should be a factor to consider in HR decisions. If identification will not impact performance, it (generally) should not be a factor in HR decisions. In this context of results, HR does not evaluate or judge associates on the basis of their referent group memberships and loyalties, but rather on their ability to deliver the required results.

HR must be unrelentingly mission-, vision-, and requirements-driven. At first glance, this sounds straightforward. It is not. Most of us often, if not typically, base our decisions on personal preferences, traditions, and conveniences that may not be requirements. We may be inclined to evaluate people from the perspective of our referent groups, not from the perspective of the job and our organization.

Not too long ago, a group of managers discussed a scenario about “foxhole diversity”: A soldier had to decide who would occupy his foxhole with him. The enemy presented challenges on all sides. As the soldier considered his colleagues from whom he would select his foxhole mates, he asked several questions:

- Does each candidate have all of his faculties?
- Does each have a gun?
- Does each have the ability to shoot?
- Does each have the will to shoot?

Nothing was asked about their race, ethnicity, gender, sexual orientation, education, or geographic origin. The deciding soldier stressed requirements.

In response to this scenario, one senior executive raised his hand and said, “Be clear, in my foxhole, I do want someone who has his faculties, has a gun, but also has the ability and will to shoot—and who also meets my personal preferences.” When queried as to whose preferences count, he added, “I know what I am saying: I am not ready for a requirements-driven company.”

No one challenged the executive; primarily because he candidly expressed what most of the people in the room were thinking. They all wanted someone in their foxhole who satisfied their personal preferences. These managers, and others unable to be requirements-driven, will have difficulty dealing with the sea of conflicting loyalties.

Effectiveness in the midst of individual contributors with a multiplicity of referent groups will call for HR leaders to be comfortable with *diversity tension*—the stress and strain that accompanies mixtures of differences and similarities. If you have diversity, you will have diversity tension. With respect to referent groups, the task of human resources is not to minimize this tension, but rather to make quality decisions in the midst of identity differences, similarities, and tensions.

For us, diversity tension is not synonymous with conflict. Tension may exist between two parties indefinitely without evolving into conflict. The issue becomes that of maintaining a sufficient comfort level with the tension, so that high performance may be achieved.

Finally, those in HR who wish to be productive in the context of referent groups must also prepare and empower their associates to understand without judging, to be requirements-driven, and to be comfortable with referent group diversity tension. It is not enough for HR, managers, and leaders to possess these capabilities; they must also develop these capabilities throughout the organization.

## **Conclusion**

In this chapter, we have argued that an understanding of the referent group concept, along with the ability to be requirements-driven and to be comfortable with diversity tension, can

enhance our interpersonal and managerial effectiveness. Further, to the extent that we can nurture these attributes in our associates, the effectiveness of our enterprises will be enhanced. In tomorrow's complex world, understanding the impact of varied referent groups and managing the diversity tension that will invariably come from these differences will become a requirement, not an option, for HR leaders.

This chapter appears in the book:

**"Human Resources in the 21<sup>st</sup> Century"**, Marc Effron, Robert Gandossy, and Marshall Goldsmith, 2003, John Wiley & Sons, Hoboken, NJ, pp. 51-56, ISBN 0471434213