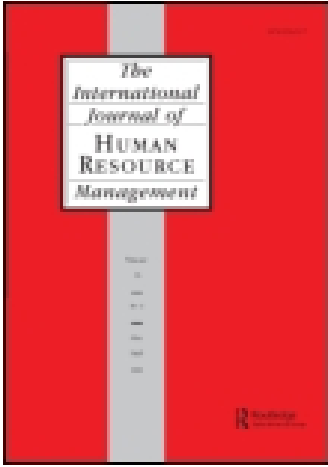


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## The International Journal of Human Resource Management

Publication details, including instructions  
for authors and subscription information:  
<http://www.tandfonline.com/loi/rijh20>

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Published online: 09 Dec 2010.

To cite this article: Yvonne Benschop (2001) Pride, prejudice and performance: relations between HRM, diversity and performance, *The International Journal of Human Resource Management*, 12:7, 1166-1181, DOI: [10.1080/09585190110068377](https://doi.org/10.1080/09585190110068377)

To link to this article: <http://dx.doi.org/10.1080/09585190110068377>

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# Pride, prejudice and performance: relations between HRM, diversity and performance

*Yvonne Benschop*

**Abstract** Today, managing diversity is considered one of the main challenges for HRM in modern organizations. In this article, a framework is developed to suggest that the design and implementation of HRM activities should be influenced by strategic choices on the management of diversity which are themselves shaped by environmental factors. The HRM activities lead to four types of outcomes (affective, cognitive, symbolic and communicative) that affect individual, group and organizational performance. This framework is used to explore the effects of workforce diversity in two cases and to provide answers to three central questions: how does diversity influence the interactions in and the performance of diverse groups, and what is the relation between management diversity and other HRM policies in the two companies? The findings indicate that an organization's strategy for managing diversity influences both the process of meaning formation regarding diversity and the perception of performance effects. The availability of an organizational vocabulary and of instruments to interpret interactions in terms of diversity make a crucial difference. The stories and incidents from the two cases show how diversity affects both the daily interactions and the functioning of diverse groups.

**Keywords** Diversity; HRM; performance; case studies.

## Introduction

Authors with an interest in diversity have recently criticized HRM theories for representing 'employees' as a generic category (Benschop, 1998; Dickens, 1998; Truss, 1999). They want to give full recognition to the variation and differentiation among employees, and to acknowledge the very different effects that HRM activities may have on different categories of personnel. Instead of the profound silence about diversity which typifies so many HRM debates, some see the issue of managing diversity as one of the main challenges for HRM in modern organizations (Cox, 1993; Kossek and Lobel, 1996).

The challenge of diversity is much more than a change in terminology from categories like gender, ethnicity, age and class to the more encompassing and concealing term 'diversity', which also refers to dimensions like education, experience, jobs, opinions and ideas. In contrast to gender and the other categories of identity, which are often represented as sources of social inequality in organizations, 'diversity' does not so powerfully appeal to our sense of justice and equality. And many emphasize

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the commercial implications of a diverse composition of the workforce, claiming that diversity can raise organizational efficiency and effectiveness (McLeod *et al.*, 1996).

But, while this claim may appeal to an audience of (HR) managers and stimulate attention to diversity issues, it is not self-evidently correct. Its optimism is now being countered in the critical management and organization literature (Nkomo and Cox, 1996; Sanchez and Brock, 1996; Litvin, 1997; Prasad *et al.*, 1997), where it is claimed that diversity is seriously under-researched, lacking scientific rigour, theoretical scrutiny, historical specificity and empirical grounding. More specifically, the relation between diversity and organizational performance remains a conjecture or, perhaps, a finding from controlled settings provided by experiments and laboratory studies with MBA students (McLeod and Lobel, 1992; Watson *et al.*, 1993). It is clear that such studies may lack realism (Ng and Tung, 1998), and that their results may not carry over to organizational practices. So, more field studies are needed if we are to truly understand the impact of diversity on everyday organizational practices.

This paper describes the results of just such a field study. Its central purpose is to explore the effects of diversity by examining how the composition of two work groups influences group performance. It is based on three central questions. How do the diverse characteristics of employees influence interactions within the groups? What are the effects of diversity on the performance of the groups? How do organizations deal with the diversity of their workforce and how does the management of diversity relate to other HR practices?

In the next section I present a theoretical framework which links the central concepts of diversity, HRM and performance. In the following section, I discuss the qualitative methodology used in the study. The section after that presents the results of the two case studies: one in a banking company and the other in a telecommunications firm. I draw some conclusions in the final section.

## **Diversifying HRM**

Even though HRM is usually represented as the process and practice of managing people, discussions on the subject are effectively dominated by the strategic role of HRM in organizations and the contribution of HRM to productivity. In other words, the literature has focused primarily on the 'M' of management and the organizational gains it may bring about; the 'HR' has been given much less attention, especially as human resources often appear as an undifferentiated and homogeneous category.

HRM, in spite of its pretensions to be integrative, does not pay much explicit attention to issues of diversity in personnel management (Benschop, 1998; Dickens, 1998; Truss, 1999). It can even be argued that diversity is excluded from the HRM domain, because notions of the abstract ideal worker, who has no body and therefore no gender, colour, age and nationality (Acker, 1992), still prevail in HRM. Such an abstract notion, however, does not sit well in organizations facing the challenges of a diverse workforce. We, therefore, need to rethink HRM from the perspective of diversity, examining the implications of heterogeneity for organizational practices and how this heterogeneity influences the organization's performance.

Two different models are used as a starting point. The first is the HRM model, as cited in Paauwe and Richardson (1997), based on a synthesis of empirical research, which states that HRM activities give rise to HRM outcomes that will influence the performance of the firm. The model identifies a two-way causal relationship, indicating that the performance of the firm can lead to a change in HRM practices as well. Contingency and control variables, such as age, size, sector and technology, may

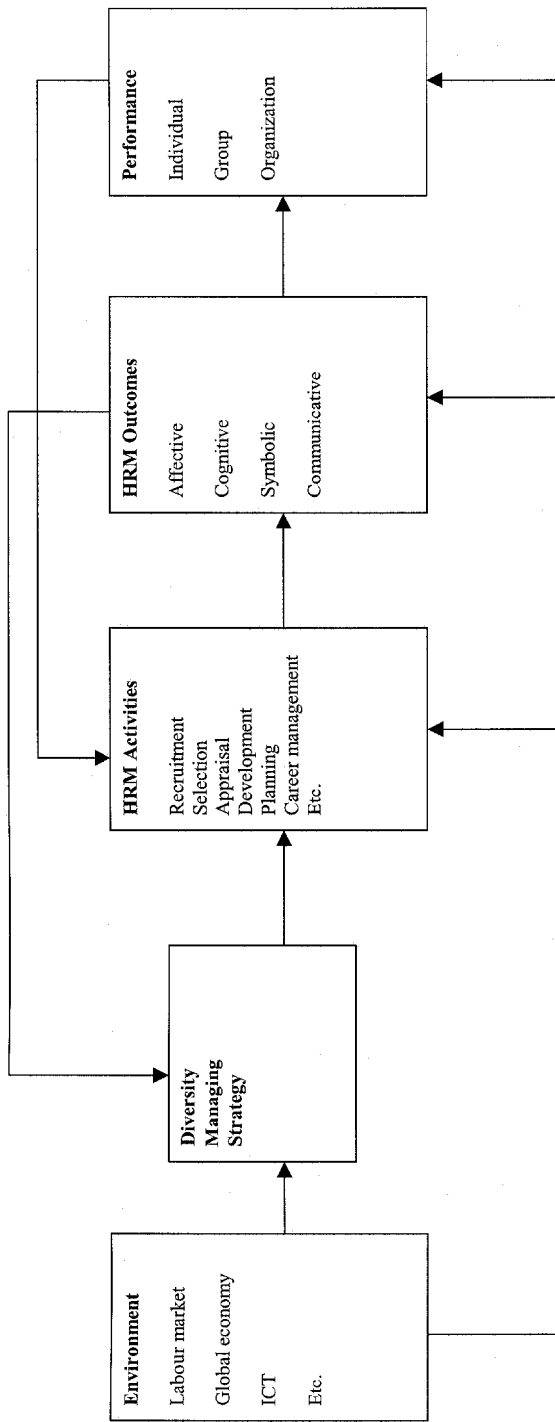
influence the HRM activities, outcomes and performance in the model. While this model helps to link HRM to performance, it overlooks the diversity of the human resources that the management activities are geared to. As with most others in the literature, it represents personnel as a generic category, and refers to people by the abstract term of 'employee'. However, with a relatively small yet far-reaching addition to this model, the impact of a diversity management strategy can be analysed.

I argue that diversity initiatives should not be considered as *specific* HRM activities (cf. Thomas, 1990), i.e. as supplements to a general HRM policy that is not altered in itself; rather, I suggest a revision of HRM by starting from the perspective of diversity. The model of Kossek and Lobel (1996) serves as an orienting framework. This suggests that traditional HRM models foster workforce homogenization and similarity, and that this hinders the organization's ability to respond to important environmental changes (Kossek and Lobel, 1996: 3–5). The prescription is that strategic decisions on diversity management objectives should be built in before the design and implementation of HRM policies are decided. Building on Kossek and Lobel and Paaue and Richardson, and integrating their models, I present a possible framework in Figure 1.

In this model, the diversity strategy is driven by environmental factors; it influences HRM activities, and may therefore affect HRM outcomes and performance, whether for the individual, group or organization. The concept of performance, the types of performance measure and the links between managing diversity, HRM initiatives and performance are all essentially contested issues in great need of more theory and testing (Guest, 1997). Guest's convincing observation that it is too soon to assert cause and effect when it comes to HRM and performance also holds for the relation between diversity and performance. There is a lively debate in the HRM literature about the impact of HRM activities on firm performance (Becker and Gerhardt, 1996; Guest, 1997; Paaue and Richardson, 1997). A similar discussion is taking place concerning the effects of diversity on performance (Cox, 1993; Kossek and Lobel, 1996; Milliken and Martins, 1996; Shaw and Barrett-Power, 1998; Pelled *et al.*, 1999).

Most authors agree that the relation between diversity, HRM and performance is complex and remains unclear (Shaw and Barrett-Power, 1998) or a 'black box' (Lawrence, 1997). For our purposes, the meta-study by Milliken and Martins (1996) of thirty-four empirical studies on diversity is especially helpful. This distinguishes four effects that have an impact on the long-term outcomes and performance of diverse groups; these are labelled as the cognitive, affective, communicative and symbolic effects of diversity.

The *cognitive* effects refer to the ability of a group to process information, perceive and interpret stimuli, and make decisions. A synergy may occur when people with different world-views and experiences are able to share ideas and perspectives that inspire new solutions to problems (Cox, 1993; Rosenzweig, 1998). One of the cognitive effects so often mentioned that it has become an adage in the literature is the beneficial impact of diversity on creativity and innovation (Cox, 1993; Kandola and Fullerton, 1998; Rosenzweig, 1998; Shaw and Barrett-Power, 1998). This conjectured increase of creativity and innovation has become one of the main arguments of the advocates of managing diversity, because it suggests a superior economic performance of diverse groups in organizations. The results of Milliken and Martins' meta-study (1996) suggest that diversity does indeed have positive cognitive effects. But they also suggest that some of the cognitive effects may be negative. For example, when a group generates many alternative solutions to a problem, discussions are bound to take up more time and consensus may be more difficult to reach.



Source: based on Paaue and Richardson (1997) and Kossek and Lobel (1996)

**Figure 1** Model of the relation of diversity, HRM and performance

*Affective* effects pertain to the social performance of groups and organizations, and refer to the engagement of organization members with their work, colleagues and the organization. Examples are satisfaction, commitment, motivation, identification with the group, role ambiguity, role conflict and perceived discrimination. In groups where people from different cultural backgrounds are working together, differences may occur in management styles, attitudes towards hierarchy, approaches to group work, ways of expressing agreement and disagreement, and participation in decision making (Pelled, 1996; Rosenzweig, 1998). While such differences can cause friction, misunderstanding and conflict, they can also have positive effects when there is room for discussion and reflection about those differences. Milliken and Martins (1996) conclude that diversity has negative effects on group identification, commitment and satisfaction. Because of homophily (Ibarra, 1993, 1995), the phenomenon that people are more likely to feel attracted and committed to others that are in some way or another similar to them, group members feel less sense of belonging to a diverse group. Watson *et al.* (1993) point out that these negative effects diminish over time, and that a diverse group may need more time to develop itself and learn to accept and respect the differences among its members.

Diversity can also affect the processes and patterns of *communication* within and outside the group. Communication within the diverse group may be more formal and less frequent than in homogeneous groups, and therefore less effective (Cox, 1993). But members of diverse groups may have more frequent communications outside their group, creating a large network of contacts that may be beneficial to groups which have to maintain external contacts and/or need support for their actions.

Finally, the *symbolic* effects stand for the symbolic meaning the composition of the group can have for internal and external stakeholders. Symbolic effects of diversity include a better public image, more legitimacy, better access to different groups of customers and even a possible increase in sales to members of minority culture groups (Kandola and Fullerton, 1998). The composition of the workforce, especially in management rankings, also carries a symbolic message inside the organization. The presence of female managers, for example, is used to prove that women can make a career if they want to, and that the organization provides equal opportunities (Benschop, 1996).

### **Methodology and cases**

I have suggested that scientific knowledge about the interrelations of diversity, HRM and performance is still in its infancy. This argues for an explorative and qualitative approach to these complex issues. I now report two in-depth case studies of groups displaying diversity, one in a banking company and the other in a telecommunications firm.

The fieldwork took place in April–June and October–December 1998. Data collection included document analysis, observations of the work climate and daily routine of the groups, and interviews with managers and group members. Documents on restructuring operations, strategic year planning, reports of group meetings and studies of the quality of work provided insights into the organizational and cultural context of the groups. The field studies began with extensive observations of the groups to gain an understanding of their daily routines and social processes. After this, semi-structured interviews were held with about eight members of each group and several managers; the subjects were selected to reflect the composition of the groups in terms of gender, function, tenure,

age and cultural or ethnic background. A group interview was also conducted in each group to discuss how diversity influenced the daily practice of the group.

I now briefly introduce the two organizations and the groups studied. The first case was a group employed in a national insurance-banking company (Insurance) situated in a large city in the western part of the Netherlands, employing 3,600 people and part of an international holding company. The case-study group was responsible for the administration of the insurance policies of private customers. Its primary tasks were to calculate offers, to administer policy contracts, to process modifications in policies and to answer telephone questions of customers; there were also projects on marketing, computerization and tax revisions. The group had three hierarchical levels (one group manager, four seniors and thirteen underwriters) and members worked in one big open-plan office with five blocks of four desks each. The average age was 30, the range being from 47 to 23 years, and tenure was from a few months to eighteen years. There were twelve men and six women, with all management and senior positions but one held by men. Culturally people had Antillean, Dutch, Indonesian, Italian and Moroccan backgrounds, but the lingua franca was Dutch. A secondary education (HAVO/MBO) was required for the underwriters, while the seniors and manager needed a relevant vocational training in accounting. The group members gained their work experience both inside Insurance and in other insurance companies.

The second case was a group in an international telecommunications company ('Telecom') with an American parent company. The Dutch part of the organization, situated in central Netherlands, employed 2,600 people. The group studied consisted of engineers who were responsible for the research and development of software for end-user services; members also collaborated with other groups both in the Netherlands and abroad. Their primary tasks were non-routine and generally required the collaboration of two to three persons. Hierarchical levels were not obvious but we can distinguish three levels: manager, developer and assistant developer. During the study, the group employed twenty persons (three women and seventeen men) who worked with two or three colleagues in separate offices situated along a common hallway. The average age was 30, the range being from 46 to 24 years, while tenure ranged from a few months to fifteen years. Culturally, people had Dutch, Indian, Moroccan, Polish and former Yugoslavian origins. Three of them did not speak Dutch, and the official language of the group (and of the company) was English. A technical academic degree was required for the managers and developers, while assistant developers could have a lower educational level. The members of the group acquired their work experience both inside and outside the company.

### **Prejudice and pride: the results from the case studies**

I now report the case study results, separately for the two organizations and starting with Insurance, under the five headings of the model in Figure 1.

#### *The Insurance environment*

Insurance is one of the major players in the Dutch banking and insurance sector. Its image as a stable and secure employer produces an ample supply of potential employees, and it has not yet experienced the tightness of the labour market felt in other sectors. Because of reorganizations and attempts to improve efficiency, the reallocation of personnel within the organization is a major area of concern. A particular issue for the case-study group was a reorganization which resulted in lower-level administrative



support functions being eliminated and administrative tasks being integrated into the broad tasks of the underwriters.

### *Diversity management strategies in Insurance*

Personnel management in Insurance is labelled 'personnel and organization management'. Corporate publications identify a number of central issues: the flexibility of employees and the organization, the improvement of service quality, and the continuous development of knowledge and expertise in the organization.

A narrow definition of diversity in terms of ethnicity, gender and age underlies the organization's management of diversity activities. Insurance appears to deal with diversity in a rather traditional way, by designing specific policies and activities targeted to ethnic minorities, women and older employees. These policies and activities are relatively isolated; they serve as amendments to more general personnel policies rather than fundamentally altering them. Furthermore, they are the invention of strategic personnel managers, and their implementation in operational personnel management faces many difficulties. The diversity initiatives of Insurance can be characterized as assimilation. They focus on an increase of individuals with different cultural backgrounds, with these individuals being expected to assimilate and adapt to the existing corporate culture without influencing it (Cox, 1993; Kossek and Lobel, 1996: 4).

This assimilation is reflected in the comments of the group manager, who explicitly stated that he wants 'his' group to represent the culturally diverse population of the city.

### *HRM activities in Insurance*

The translation of the management diversity strategy to HRM activities is limited to activities concerning recruitment and selection. More diverse employees have to be hired before the organization can realize its goal of accurately representing the diverse population in the workforce. This entails a focus on traditionally disadvantaged groups. Once the new employees have entered Insurance, their diversity is no longer considered meaningful. The principles underlying HRM activities like promotion, performance appraisal, training and development, career management and participation are equal opportunities and equal treatment for all.

### *HRM outcomes in Insurance*

The interviews and observations of the daily practices of the group provide more detailed information on which aspects of diversity are considered meaningful and how these influence the HRM outcomes of the group. The group members contrast diversity in work-related characteristics, such as previous experience and education, with diversity related to personal characteristics like gender, age, ethnicity and lifestyle (residence, children). The latter are considered relevant for social relations within the group, and they do seem to influence the frequency of interaction and the topics of conversation among group members. But they are not perceived to have an impact on the work relations. By contrast, the work-related diversity aspects are perceived to relate to the functioning and performance of group members. The way the meaning of diversity is constructed in Insurance is suggestive of a familiar dichotomy, in which the meaning of gender, age and ethnicity is restricted to the social, and in which work relations are determined by experience, education and capacity alone. This restriction indicates that the meanings of diversity are subject to normative processes that permit

only certain meanings; other, perhaps politically less correct, meanings are organized out.

The literature shows that diversity is much more complex and ambiguous in its effects on groups. In order to explore the HRM outcomes of diversity in this group, we take Milliken and Martins' four types of diversity outcomes as sensitizing concepts, and look for critical incidents, stories and situations to reveal them.

The affective effects are illustrated by the following situation. In the interviews, most group members mention that there are three sub-groups, manifested most clearly in the groups that lunch together. The sub-groups were originally divided by gender and ranking. One consisted of the female group members, another of seniors including the group leader (all of whom were male) and the third of the remaining males. The composition of the first and third sub-groups changed over the year, becoming based on with whom people are working and who provides the introduction of a new group member; they are now more mixed in terms of gender. The more senior second sub-group did not change, but is no longer based solely on ranking, since the new and young female senior is not part of this sub-group. She comments: 'I always say that this is because I am a woman. It is not that I have to be part of everything, but this gives me a feeling like I had better keep away and this is sometimes difficult.' As one of the seniors sees it, 'we do not consider her a 'real senior'', not because she is a woman, but because she is very reserved, comes from another company and is not familiar with the culture and the way we do things around here'. Her outsider position influences the affective relations and the functioning of the seniors and the rest of the group in a variety of ways. It seems to lead to frustration and a lack of commitment on her part, and prevents her from identifying herself positively with the senior group. It also influences perceptions of discrimination and the way others do not identify her as senior. It is striking to see how one side calls on personal diversity aspects to make sense of this situation, while the other side precisely invokes work-related aspects.

Cognitive effects are observed in the problem-solving capacities in the group. Members agree that their standardized and routine work procedures require experience and leave little room for creative initiatives to improve work process and service quality, even though these are considered important. Because of workloads and time pressures, the group leader has, somewhat paradoxically, set a time and place in the weekly meeting for communication and consultation about new ideas. Our observations of these meetings suggest that new ideas generally come from the same subset of employees, those with the longest tenure and most experience. That this pattern can easily lead to reverting to old solutions and leaves little room for new perspectives is noticed by some of the newer group members. They call for a more participatory design for the meetings, so that all group members get a chance to articulate their ideas. The differences in participation in group meetings are not interpreted in terms of diversity, but rather in terms of experience or individual qualities like assertiveness. That these aspects may interfere with cultural group identities remains unnoticed, even though several comments were made on the assertiveness of the Dutch big city dwellers and the contrast with their Dutch Indonesian colleague, who relates his cultural background to a quiet presence and an unwillingness to come to the fore. These interpretations suggest that diversity is not itself considered meaningful in relation to the cognitive performance of the group, which may prevent possible beneficial effects of more diverse participation from emerging.

When studying communication in the group, we can see the effects of another work-related aspect of diversity, that of where initial training and work experience were received. The unwritten rules of Insurance say that there is a right 'Insurance way' of

getting the work done and a bad way that is exemplified by the way things are done by competitors. This aspect of diversity is considered very relevant in the group. Several people commented on the friction in working relations between group members who come from the different backgrounds. The group leader has recently intervened to improve communication by changing seating arrangements, so that all blocks now have a construction of one senior, two experienced underwriters and one budding underwriter. 'Insurance-trained' personnel are seated alternately with people who were trained elsewhere. One of the employees comments:

Yeah, the group leader seems to think that I am now going to consult other people. But I am not going to do that. It makes no sense at all. We still keep going to each other, for I just know that if I go to the others I won't get an answer, and that they do not know our culture. If we don't know it, we just call another group here, where we know most people.

The 'us and them' discourse and the reference to culture in this quotation is striking. The general reluctance to signify aspects of diversity clearly does not stretch to this particular heterogeneity in the group. The seating rearrangements have not had the desired effect, and communication is still restricted to what is considered the 'own group'; the difference is that it is now done by phone or ostentatious shouting all over the department. Yet, it has been effective in rendering the exclusion of others more visible, thereby opening the possibility of addressing the problem more effectively in due course.

Milliken and Martins' last group of diversity effects was the symbolic. However, this research focused on the group itself, so the necessary data on possible symbolic effects on internal and external stakeholders are lacking.

#### *Performance in Insurance*

As noted above, the performance debate is characterized by conceptual confusion and measurement difficulties. This study provides insights from those interviewed on the performance implications of diversity, and I present these tentatively as a start on the effects of diversity on performance.

At Insurance, there seems to be little or no awareness that diversity might influence the performance of individuals and groups. The prejudice that performance is related only to individual capacities dominates the perceptions of group members and management alike. That group affiliations might also matter is taboo. Yet, it is likely that the affective, cognitive and communication effects of diversity discussed in the previous section do influence performance. For instance, the sub-groups having lunch together is probably not conversationally restricted to social matters, but also facilitates the exchange of relevant work information. The exclusion of the female senior from the senior group is likely not only to undercut her commitment and motivation, but also her actual performance, if only because she might be missing out on useful information. The current patterns of participation in work meetings are likely to influence the group's creativity, which might be improved if more voices were included in problem-solving and decision-making processes. The attempt that was made to improve communication processes indicates an awareness of how the selective communication damages group performance, even though it was not seen as an explicit diversity effect.

#### *The Telecom environment*

Telecom produces telecommunications equipment and software, operates in a dynamic environment and is in constant need of new personnel. As elsewhere in the ICT sector,

the labour market is generally tight, intensive recruitment campaigns are ongoing, and there are continuous relations with temporary employment agencies in different parts of the world which send their people to the Netherlands. Telecom has to deal with relatively high turnover, and experienced members in the case-study group are in demand for promotion within the organization.

#### *Diversity management strategy in Telecom*

Personnel management in Telecom is labelled human resource management, and it aims to create a high-performance culture by an optimal fine-tuning of organizational and individual development. The American parent company has a reputation as a 'diversity employer' and urges its sites abroad to formulate diversity policies. Managing diversity is considered 'a global policy with local implementations'. Diversity has been an issue in the Dutch setting for at least five years. It is defined broadly, with all differences being seen as potentially beneficial. So, diversity is based not only on age, ethnicity and gender, but also on dimensions like function, nationality, tenure, ability, religion and education. The diversity strategy is seen as the way to make the most of all available talents and realize all potential. In contrast to Insurance, diversity strategies in Telecom succeed in finding their way outside the HRM department into operational personnel management, as the following section demonstrates. Yet, in spite of the diversity rhetoric, the reality is that Telecom's workforce is about 90 per cent white, Dutch and male. The case-study group is a notable exception to this pattern, with its three women and five nationalities. I would therefore characterize Telecom as a plural organization with room for different cultural backgrounds which can alter existing culture, but is not yet a multicultural organization, even though its diversity management strategy aims in that direction.

#### *HRM activities in Telecom*

Diversity awareness is cultivated by brochures, intranet sites and posters. Diversity is advocated in the mission statement and the Telecom values, which are prominently displayed in hallways and near the elevators. These values are: respecting individuality, common and understood goals and objectives, open communication, customer focus and working together beyond differences. All employees are obliged to attend eight hours of diversity training each year. Furthermore, Telecom intends to hire more non-traditional employees, and is engaged in changing its processes and procedures to ensure equal hiring and promotion opportunities for all. These are initiatives that go beyond traditional approaches and can be labelled as an integration of diversity strategies within HRM. In the case-study group, diversity is an explicit agenda item in monthly meetings, and members give presentations about their own countries and cultures to inform colleagues about their backgrounds. This is an initiative from the group leader, who is actively involved in forming the company's diversity strategy. Most group members agree that encountering different cultures, beliefs and experiences is an enrichment of their personal and social development.

#### *HRM outcomes in Telecom*

The Telecom group works in an environment of high awareness of, and ongoing attention for, diversity matters. How this influences the way in which diversity acquires meaning in the group becomes clear from the observations and interviews. Most interviewees say that they have become aware of diversity only since they started

working for Telecom. They consider diversity a natural, informal phenomenon, a matter of showing interest in others and respecting differences that always exist between individuals. Even though they are not consciously engaged on diversity matters, they feel unconsciously that the training and other ways the organization brings attention to diversity have influenced their attitudes. They claim that the diversity values that are communicated so prominently throughout the building are 'an empty phrase, an American hype that does not amount to much', yet their perceptions of diversity closely reflect the organizational discourse of valuing individual differences. Some interviewees say that the continuous emphasis on diversity tires them, that a lot is said in the company but little is done. They claim that diversity training gets a bad press from some managers, who say they think it nonsense, and that attendance is company policy but not something they care about. Others express pride that Telecom is in the vanguard in actively acknowledging and seizing the chance to develop a diverse workforce while other companies still struggle with the negative connotations of positive discrimination.

In terms of Milliken and Martins' first type of diversity outcomes, the affective, group members speak of relations that are co-operative, supportive, pleasant and amicable, and of an open atmosphere, where the frequent newcomers are made to feel welcome and there is tolerance towards different perspectives and backgrounds rather than prejudice. One aspect of diversity that is meaningful in the daily practices of this group is cultural difference. There is frequent reference to 'the Dutch' majority and 'the non-Dutch' minority. Non-Dutch members find this category not sufficiently refined, and identify themselves according to their nationality or ethnic background. These cultural differences sometimes lead to misunderstandings. For example, when a female of Indian origin celebrated her birthday and treated the group to cake, she was asked her age. After a short silence she responded that this was an insulting question in her culture and that she preferred not to answer. Many group members recall this as a painful diversity incident, but also as an opportunity to learn about cultural differences, and say that it is important to discuss these issues out in the open. While that desire for openness in itself may be a culturally specific phenomenon, it can also have affective effects in terms of the familiarity and commitment of group members towards each other. In Telecom, not only the minority but also the majority group needs to adapt to heterogeneity, and this process of adaptation is evaluated positively by all group members.

The awareness of cultural differences seems to facilitate communication in this group about its differences and similarities. In the literature it is usually said that communication among group members is more formal and less frequent in a diverse group. The in-group communication in Telecom resembles this pattern. One member expresses this as follows: 'I think that it is a bit easier for me to talk to the other Dutch people. With the people from India for instance, I have the idea that there is some distance, that it is more difficult to have a real talk with them. It is more a matter of feeling each other out, and then you are more careful.' The group members ascribe this partly to a language barrier because English, the lingua franca in the team, is the second language for everyone. Since most technical terms are in English anyway, this is not so much considered a problem in work-related conversations, but informal conversations about private matters and feelings are much easier in the mother tongue. So, during the daily breaks near the coffee machine, Dutch is spoken frequently, even when work issues are being discussed. The non-Dutch-speaking group members are then excluded from the conversation and are generally the first to break up and go back to their rooms. These language practices indicate how diversity influences day-to-day practices, an

issue that was also discussed in the group interview. It transpired that some group members have qualms about their speaking Dutch because of the exclusionary effect, and that others want to be able to continue speaking in their Dutch mother tongue. It is interesting to see how it is one of the non-Dutch-speaking group members who legitimizes this last position by saying that he understands and does not object to Dutch during lunches and coffee breaks. Ironically, he is the instrument for underlining rather than undermining the majority cultural practices (Kanter, 1977).

Another communication effect observed is that of the extended network of the diverse group. It is common practice for people from different nationalities to have frequent lunches with their compatriots working in other parts of the organization, where they can speak their own languages. Within the group, this serves to emphasize their otherness. As one group member explains:

When I go to the restaurant for lunch, I sometimes feel like sitting with friends, speaking our language, discussing news and politics from our country. And then it is always a point for me that I wonder what the others will think of that. I'm afraid that they will say that I am walking away from them even though that is not my intention at all, I just want to maintain a feeling with my country too.

This shows how respondents juggle with different group affiliations and how difficult the identification processes can be for an individual.

The cognitive effects are in the forefront of Telecom's discourse on diversity, where the business case of diversity is the main reason for the strategy. As the group leader expresses it: 'a diverse group can be a high-performance group when the people in it are feeling good and supplement each other, so that you can get more output from them'. The different expertise in the group is used in brainstorming sessions that are geared to product innovation, development and problem solving. Aspects of diversity that are considered relevant in this respect are cultural diversity and tenure. From a culturally diverse group, a broader perspective on work and markets is expected, and new people are expected to be more creative in questioning the status quo and challenging old routines. It is felt that the participation of all group members is important if the creative and innovative potential is to be realized. It is not straightforward to achieve this in the practice of the brainstorm sessions, however, and takes extra effort of the manager to make the sessions a truly collaborative exercise, involving all group members and making them all contribute their ideas.

The symbolic effects that diversity can have for external and internal stakeholders are expressed explicitly by one group member. He explains that he came to Telecom because of its tolerance to other cultures. Coming from Morocco, he expected to meet discrimination and prejudice in the Dutch labour market, not so much because of his intelligence, but because of his culture, religion and language. He decided to put in an application because of the pleasant experiences of some of his friends employed by Telecom. Through informal networking, word now gets spread in Moroccan universities that this is a good place to work.

### *Performance in Telecom*

My research material contains frequent references to the performance effects of diversity, mediated by the different types of HRM outcome. This is due to the fact that Telecom has an explicit business imperative for diversity, linking it directly to high

performance, and because this business imperative is loudly communicated throughout the company.

The perceptions of the managers interviewed on the relation between diversity and performance correspond to the Telecom perspective on diversity. All types of HRM outcomes are in one way or another directly or indirectly related to commercial advantages. For instance, the performance implications of the cognitive effects of diversity, improved innovation and creativity, are the main stated reasons why the group manager seeks to ensure the participation of all group members in the brainstorming sessions. And the symbolic effects of the attractions of Telecom to different groups in the labour market are related to the organization's performance as a good employer.

Yet, references are also made to more socially oriented performance indicators. For instance, affective outcomes are directly related to performance by one of the managers. He says that satisfied employees are the best advocates of the company. In order to ensure that satisfaction he considers it 'important to create an open culture, where people can be themselves, where they feel that it is a good company to work for, a company they enjoy working for . . . they have to enjoy doing good things for the company'. This quotation illustrates the true spirit of diversity in Telecom, where business and moral reasons for diversity go hand in hand.

The same holds for the communication performance of the group. Exclusionary language practices are evaluated negatively, because of bad performance implications for the group when people who do not speak the Dutch majority language are missing out on vital work information. And concern is expressed regarding the social performance of the group when it does not succeed in the continuous involvement of everybody.

Summarizing, we can conclude that, in Telecom, diversity is linked to performance explicitly. The diversity management strategy of the organization makes diversity significant, so that it is considered meaningful not only on the level of policies, but also in daily practice.

## **Summary and conclusions**

The main aim of this article is to examine the interrelation between HRM, diversity and performance. Based on the assumption that diversity matters to HRM and performance, a framework is developed that suggests that the design and implementation of HRM activities should be influenced by strategic choices on the management of diversity which are themselves shaped by environmental factors. The HRM activities lead to four types of outcomes that affect individual, group and organizational performance. This framework was used to explore the effects of workforce diversity in two cases and to provide answers to three central questions: how does diversity influence the interactions in diverse groups? how does diversity influence the performance of diverse groups? and what is the relation between diversity management and other HRM strategies in the two companies?

The findings indicate that an organization's strategy for managing diversity influences both the process of meaning formation regarding diversity and the perception of performance effects. The stories and incidents from Insurance and Telecom suggest that diversity affects both the daily interactions and the functioning of diverse groups.

In Insurance, the dominant interpretation of diversity was one in terms of backlogs of women and ethnic minorities. This limited and rather negative perspective was reflected

in the reluctance of group members to acknowledge the influence of those aspects of diversity on their interactions and to signify diversity in daily practices. The reluctance to give meaning to diversity also extended to most HRM activities, which were directed to all employees as if they were a generic category rather than differentiated. In such a context, prejudice can continue to flourish under the surface, as is illustrated by the affective, cognitive and communication HRM outcomes of the diversity-that-cannot-be. These outcomes influence the individual, group and organizational performance in Insurance, but the taboo on signifying diversity prevents the perception of the performance effects of diversity. In this case, we would expect an explicit strategy of diversity management to break with the normative discourse and make the effects of diversity more visible.

The corresponding diversity management strategy of Telecom was presented as a means to meet organizational ends such as high performance. The dominant interpretation of diversity here was as a valuable and potential beneficial asset to the organization and was reflected in the processes of meaning formation of Telecom employees. The positive organizational rhetoric on diversity management did not lead to a naive belief in the affective, symbolic and cognitive benefits of diversity. Group members realized that cultural differences influence their interactions and can also bring about less pleasant outcomes, such as communication difficulties, conflicts and misunderstandings. Yet many express pride in the diversity sensitivity of their group, a pride that is also inspired by the perceived commercial and social performance consequences.

From this exploration of the relations between diversity, HRM and performance, I conclude that HRM strategies and activities mediate the performance effects of diversity. The availability of an organizational vocabulary and instruments to interpret those interactions in terms of diversity makes a crucial difference. The traditional HRM approach of Insurance lacks this possibility and continues to foster a similarity and uniformity that does not seem to fit well with the reality of the diverse work group any more. The organization sticks to the tried and tested HRM approach of 'add diversity and stir', and misses out on the potential beneficial effects of diversity while it cannot escape from the detrimental effects of diversity. In contrast, the current HRM approach of Telecom does leave room for the existing heterogeneity of employees. Its active management of diverse human resources has merits in the sense that this strategy can make underlying processes of meaning formation more explicit, address prejudice and allow for the valuation and learning of cultural differences, so that the detrimental effects of diversity can be dealt with and so that the potential benefits of diversity can eventually be realized.

I conclude this article with the identification of a few lines of research that are worth further exploration in the future. First, the conceptual framework developed in this paper has to be further refined. The two cases presented here exemplify the extremities of the pride and prejudice spectrum, including organizations that are less articulate in their preferences for traditional or more modern approaches to diversity and HRM could provide useful insights in the relation between diversity, performance and HRM practices. Second, more systematic attention is needed to what constitutes performance in diverse groups. Theory development on the performance effects of diversity and the identification of adequate performance indicators in the context of diverse groups is sorely lacking. The combination of more theory development and the testing of abstract notions and concepts concerning diversity in empirical settings would make for a new and fascinating field of inquiry.



## Acknowledgements

The author would like to thank Femke van Winden for her contribution to this project and excellent research assistance, and the editors of this special edition for suggested improvements to the original draft.

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