



GUEST EDITORIAL

Diversity management beyond the business case

Management
beyond the
business case

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Abstract

Purpose – This paper aims to introduce the theme of the special issue – diversity management beyond the business case. It addresses two main questions: first, how increased diversification within workgroups or labour is dealt with via diversity management, and second what the effects are of this increased diversity for group performance.

Design/methodology/approach – The different contributions are embedded into two important discussions in the literature: problems with the concept of diversity and problems with outcomes of diversity management.

Findings – Reflecting on the contributions to this special issue, it is argued that solely emphasizing business case arguments for supporting the implementation of diversity management may be rather risky. They conclude with a plea for emphasis on arguments of justice and sustainability of the employment relationship and discuss future avenues for research.

Originality/value – The paper shows the difficulty of universally applying the concept of diversity and diversity management. In addition, it shows that the claimed positive impact of diversity management is contingent on several factors.

Keywords Equal opportunities, Team working, Team performance

Paper type Conceptual paper

This special issue emerged from the 16th annual conference of the International Employment Relations Association (IERA), held at Nijmegen School of Management, Radboud University Nijmegen, The Netherlands, July 2008. The conference theme was “Diversity and New Employment Relationship” and most contributions focused on problems with the concept of diversity and the problems and outcomes of diversity management. In this special issue, we selected the main contributions around this theme. We introduce the theme shortly and embed the different contributions and end with future perspectives.

Diversity management

Across firms in industrialized countries, demographic diversified workforces are becoming increasingly common. With the changing gender relations and the aging population in western societies and the increased amount of migrant workers moving around the globe, labor organizations face increased diversity of the workforce. An important question addressed in this special issue is how this increased diversification within workgroups or labor is dealt with via diversity management, and second what the effects are of this increased diversity for group performance. On the one hand, diversity



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management may foster the attainment of the organization's strategic goals. As a "business case," diversity is believed to engender competitive advantage by establishing a better corporate image, improving group and organizational performance and attracting and retaining human capital. On the other hand, diversity management aims for social justice. By advancing individual development and inclusion of different employee categories, diversity management supports equal opportunities. In addition, diversity management may also support claims of long-term sustainable employment. Reflecting on the contributions to this special issue, we argue that solely emphasizing business case arguments for supporting the implementation of diversity management may be rather risky. Therefore, this special issue's Introduction concludes with a plea for emphasis on arguments of justice and sustainability of the employment relationship.

With addressing the two main questions of this special issue mentioned above, we adopt a comparative and critical approach to diversity management. "Comparative" in the sense that we compare the use of diversity management in different countries; addressing the adoption of the concept and the adoption to the local contexts. "Critical" in the sense that we do not take for granted that diversity management is indeed the best way to address demographic differences and to improve inclusion as well as performance in labor organizations. Rather, diversity management is critically evaluated. Therefore, this special issue addresses two main themes. Firstly, tensions in the implementation of diversity management are scrutinized and, secondly, the effectiveness of diversity management in diverse contexts is addressed.

Implementing diversity management

Principle problems

The concept of diversity management, which is originally developed in the USA, is implemented in a variety of national contexts with diverse results (Egan and Bendick, 2003; Nishii and Özbilgin, 2007). This US origin may also have had an impact on the concept of diversity management and the practices that are covered by it. There are different meanings attached to diversity management. Narrowly defined, diversity management can be viewed a successor of the traditional affirmative action or equal opportunities programs used in some countries, focusing on specific social groups defined by sex, ethnicity/race and age, *rather than on individuals*. This narrow definition of diversity primarily focuses on the recruitment regulations and procedures of organizations. In contrast, using a broader definition, diversity management is a more inclusive approach towards attracting new personnel, proposing a broader understanding of individual differences that also includes factors such as sexual orientation, skills and experience. Of course, the different definitions and related perspectives influence the problems of implementation and the rules and arguments guiding the development of diversity management.

A basic problem regarding the implementation of diversity management is that its approach sometimes does not fit the interpretations of equity and equality that prevail in national or local contexts. Special treatment of diverse groups may be adequate according to the principles of diversity management, but may be considered unjust according to local traditions and jurisdiction of equal treatment. Of course, this has a major impact on the implementation process. This special issue shows how this results in tensions among managers and employees about the implementation. Sometimes these tensions also engender resistance to the implementation of diversity policies. This resistance especially appears when implementation is supported with the ambiguous term "equality."

The concept of equality is essentially contested. In relation to the concept of diversity, different and sometimes even opposing interpretations of equality can be given (Bacchi, 1990). To illustrate this debate, below we present an overview of three possible, very different interpretations of the concept of equality.

Firstly, equality can be considered as giving the same treatment of diverse groups. Diverse groups are treated in a similar, standardized way, notwithstanding eventual differences in starting positions. Although this suggests an alleged fairness, it prevents a policy directed towards certain underrepresented and structural marginalized groups (Bacchi, 1990).

Secondly, equality can be interpreted as different treatment to reach equal outcomes in terms of group representation. Specific groups are compensated for their backward position in organizations or in society by being given preferential treatment to enter certain positions or to being promoted. In fact, this is opposite to the first interpretation of equality and it faces possible feelings of unfairness amongst certain groups which may hinder implementation of policies (Bacchi, 1990).

There is also a third interpretation, that is, equality as meritocracy. Here the basic principle is that individuals are treated equally, but that individual talents and merits are the basis for extra support and preferential treatment given by the organization. In contrast to the second approach, extra support is not given to reach equal outcomes on group level, but to give equal chances on the individual level. This approach may cause jealousy between the individuals involved.

These three interpretations of equality may have different consequences for the opportunities organizations can give regarding extra support for specific individuals or groups. In the same treatment approach, different treatment of any individual or group is forbidden. In the different treatment approach, different treatment of groups is only allowed to reach equal outcomes. In the meritocracy approach, only equal entrance to special treatment has to be guaranteed for persons with the same merits.

Practical problems

As we address in this issue, the implementation of diversity management not only encounter principal, but also practical problems. One of these issues is the situation of the diversity management program in the whole personnel policy of a firm. As several papers in this issue illustrate, in different national contexts, diversity management is only scarcely connected to the general Human Resource System. In that case, diversity management represents extra, additional policies on top of the Human Resource System in place, rather than an approach that is integrated in the heart of personnel management. This lack of “diversity mainstreaming” may cause a bureaucratic and defensive implementation, rather than a flexible and proactive implementation. Examples of such a limited implementation can be found in the British public sector as presented by the contribution of Harris and Foster and in the Dutch private sector, presented in the contribution by Heres and Benschop and by the study of Peters, den Dulk and de Ruijter in the Netherlands, UK and Sweden.

For example, in the UK, tensions in the implementation of diversity management are related to the dominant culture in the sector where diversity management is performed. As Harris and Foster indicate that this culture opposes special treatment of persons from underrepresented groups, while such a special treatment might be needed to support their upward mobility towards leadership positions. Obviously, the principle of neutrality is dominating the implementation of equality policies and diversity management in the UK public sector. In this sector, there is a common belief that

equality is best achieved by eradicating differences in treatment. However, Harris and Foster show that this approach encourages defensiveness and bureaucratic behavior rather than the flexible and proactive approach that is needed.

Diversity management is performed via talent management programs for which individuals are proposed via self-selection. This system is based upon the meritocracy argument. However, the researchers indicate that relatively fewer women and ethnic minorities may see it as feasible to do the extra investment of a talent program. This shows that self-selection does not always work for all groups of employees, although employers experience the open character of self-selection as legitimate.

Moreover, individuals who are not selected identify themselves as not talented, which would negatively affect their motivation. So, indirectly these programs work as exclusionary. In addition, there are negative constraints regarding the fact that development of individuals in a management program is detrimental to the costs of the majority. Moreover, when individuals are involved in the talent program they are considered a temporary loss of their performance to the team.

Also in the Netherlands, the dominant interpretation of equality defines how diversity management is implemented. Considering diversity management as a discourse, Heres and Benschop analyze corporate communication through international and Dutch websites of ten leading companies in the Netherlands and their annual reports as statements on diversity, diversity management and equality. The meritocratic foundation of the diversity management discourse, stressing the added value and unique contribution to the organization's goals of every employee, fits in well with the previous local policies on equality.

Heres and Benschop's findings suggest that business case arguments make the diversity programs selective, partial and contingent, focusing mainly on gender and ethnicity issues. In fact, the translation of diversity management in the Dutch context has neither challenged nor replaced the traditional local discourse of meritocracy and equality. Heres and Benschop conclude that diversity management is rather used as an approach to increase the acceptance for pre-existing target group policies, by stressing the equality discourse. The lack of focus on *individual* differences increases stereotyping and reduces inclusion of all workforce categories.

These findings show that the Dutch translation limits the effectiveness of the diversity management initiatives, especially since diversity is still portrayed as minority and women's issues, and stereotypes are still being (re)produced. Moreover, diversity statements are often not backed up by substantive firm-wide policies and structures, and, therefore, no fundamental change to the way organizations deal with issues of equality and diversity may come about.

Effectiveness of diversity management

The second theme addressed in this special issue is the extent to which diversity management is effective? Scholars and policy makers using business case arguments claim various advantages for organizations that are able to increase the team diversity in their organizations. But under what conditions do diversity measures really live up to their fullest potential?

Measuring effectiveness of diverse teams is methodologically complicated, as the contribution by Haas shows. First of all, due to the variety of factors and operationalization outcomes of different studies are hard to compare. In addition, most studies do not take relevant moderating context variables into account. Finally, test of

non-linearity is not always performed, while interaction terms with context and non-linearity are highly relevant in order to arrive at results meaningful for practice.

Therefore, in this special issue, also the role of “context” in explaining the effects of diversity management is addressed, particularly in the contributions of Haas and López-Fernández and Sánchez-Gardey.

Haas presents a literature review of research on team work and diversity, focusing on the role of gender, age and ethnicity, respectively. He distinguishes between three main theories that cover the relationship between diversity and team performance. The first, frequently used in research on diversity, is the Social Identity Theory. Based on Festinger’s earlier work (1954), this theory focuses on social identity development resulting from individuals comparing themselves with other group members. This social comparison may lead to positive or negative self-images and a desire to belong to the group, or to leave the group. Between-group comparison (them vs us) strengthens the ties between group members. In-group diversity may lead to the development of subgroups which is detrimental to the performance of the overall-group.

The second theoretical perspective Haas distinguishes is the Similarity – Attraction Theory (Byrne, 1971). Depending on demographic characteristics, individuals perceive themselves as similar to other group members, which fosters trust and mutual cooperation and interaction. The result is the emergence of subgroups, thus leading to less effective functioning of the team at large.

The third perspective distinguished by Haas, frequently addressed by proponents of diversity management, are the Information-Processing and Decision-Making Theories (Gruenfeld *et al.*, 1996). This perspective suggests that heterogeneity within a group improves information exchange and enables decision-making. Members of diverse groups have access to a great variety of resources using more diverse networks than homogeneous groups would do. Note that this perspective emphasizes positive outcomes of diversity, whereas the others tend to focus more on negative outcomes of group structures and processes.

In his review of studies on the diversity – team performance linkage, Haas shows that the first two perspectives are much more supported by the results of the empirical studies reviewed than the third one. Most studies report negative outcomes of diverse group structures and group processes. We may conclude, therefore, that the elegance of the “information processing and knowledge diversity perspective” is defied by the messy reality of interpersonal and group processes in organizations. In other words, we experience a much more “tousled, emotional and political world of work” (Klein and Harrison, 2007) or that the power of diversity meets the reality of diversity of power and interest.

The role of context regarding the effectiveness of diversity management is addressed by López-Fernández and Sánchez-Gardey. Diversity is defined from a multidimensional point of view, including both *demographic diversity* and *human capital diversity*. On the one hand, the authors hypothesize that *human capital diversity* may add value to group activity as it has the capacity to increase the workgroup’s skills, knowledge and cognitive abilities to recognize problems and to find creative and innovative solutions. On the other hand, *demographic diversity* is expected to affect intra-organizational social relationships and social processes negatively and, therefore, to lead to a loss of trust and reciprocity. In their theoretical framework, López-Fernández and Sánchez-Gardey stress that diversity does not influence organizational or group performance directly, but indirectly through particular workgroup processes, such as decision-making processes. In fact, different configurations of HRM-practices

may affect workgroup dynamics differently, and, ultimately, may have different effects on workgroup performance and sustainable competitive advantage. Consequently, in order to profit from diversified workgroups, organizations may need to adjust their Strategic HRM systems. The authors question, therefore, the conditions under which workgroup diversity actually leads to better workgroup performances, particularly since López-Fernández and Sánchez-Gardey distinguish between three different Strategic HRM-orientations. The first is labeled the *individualistic control orientation*, referring to an orientation which is characterized by: (i) a focus on individuals rather than on workgroups, (ii) rigid control mechanisms and little self-control within workgroups; and (iii) a strong market orientation for achieving human capital rather than emphasizing the intra-organizational development of human capital. The second orientation is labeled the *group development orientation* characterized by: (i) a strong focus on workgroups rather than on individuals; (ii) a system of open and flexible HRM-practices, which allow self-control within workgroups; and (iii) a focus on intra-organizational development of human capital. The third HRM-orientation is labeled the *group control orientation* characterized by: (i) a strong emphasis on groups, (ii) rigid external control mechanisms and little self-control, and (iii) a preference for external markets to recruit employees and no stress on intra-organizational development of human capital. Using data from 53 larger firms (>250 employees) operating in the Spanish chemical industry and employing structural equation modeling, the authors show that an individualistic control pattern hinders decision-making processes in diversified groups. A group orientation, in contrast, in combination with either a self-control orientation (empowerment), or with more rigid control mechanisms (both orientations 2 and 3), fosters the cognitive dimension of social capital and, hence, high-quality decision making. With regard to the relational dimension of social capital, only the “group development orientation,” focusing both on building collective competences and flexible management and control structures, was shown to reduce the unintended consequences of demographic diversity on interpersonal relationships in the workgroups, and, therefore, to foster the potential benefits of diversity. The authors conclude that to foster cognitive benefits of diversity, a collective and interactive HRM-orientation suffices to benefit from workgroup diversity. To mitigate relational problems associated with diversity, however, flexibility, empowerment and intra-organizational development of human capital is also needed.

The contextual approach to workplace diversity policies and practices and, consequently, inclusion and exclusion of particular groups in the work place is also addressed in the paper by Peters, Den Dulk and De Ruijter. They discuss a totally different aspect of diversity management, namely the work-life interface. Employees increasingly demand for opportunities to work part of their contractual working hours at home, using information and communication technologies to communicate with others inside or outside their offices. This HR-practice may engender inclusion of workers who have to combine work and family life in the work-place. In practice, however, employees demand for home-based telework goes beyond the supply of access to these facilities by their managers. As Peters, Den Dulk and De Ruijter argue the adoption and diffusion of telework policies and practices falls short of expectations. This mixed methods study amongst managers in financial service sector companies in the UK, Sweden and the Netherlands tries to explain this situation by focusing on managers’ arguments for or against home-based telework, and how these are weighed in the telework-attitude formation process. Particularly, managers’ arguments articulated in the semi-structured interviews reveal views of the employment

relationship. Managers' control and coordination arguments against telework appear to be dominant, which mirrors managers to hold a traditional view of the employment relationship as a governance relationship. Apparently, most managers basically fear the loss of control over individual employees. However, the quantitative vignette study shows that managers are inclined to allow some employees, particularly highly valued and skilled workers, to work from home, for they fear a loss of commitment to the organization if they would not grant the individual workers' telework requests. Obviously, not all employees are trusted equally, which reveals that managers do not consider the employment relationship as a cooperation relationship. Strikingly, in this study, managers in governmental organizations hold more positive attitudes than managers in the private sector.

The particular contribution of Peters, Den Dulk and De Ruijter shows that diversity management goes beyond managing a more diverse work-force, but is also connected to managing the growing interface between work and family life and its related policies and practices being part of the HR-system. Moreover, the study shows that in most cases telework is rather considered an "idiosyncratic deal" which may include some, but excludes others, as home-based telework has to be negotiated individually with managers. In other words, managers' traditional view of the employment relationship (i.e. the governance relationship) leads to new inequalities in the workplace. Interestingly enough, this demands similar management skills and competences as is needed with regard to managing diverse teams; namely flexibility, trust, and allowing employees more job autonomy. Like López-Fernández and Sánchez-Gardey's study focusing on the Spanish context, Peters and colleagues show that also in the northern part of Europe, there is an increasing need for manager – employee relationships, which are based on exchange and cooperation rather than coordination and control. The need for a fundamental transformation of management styles seems to hold for all western industrialized countries.

Future perspectives

Inspired by the contributions to the 16th annual conference, entitled "Diversity and New Employment Relationship," organized by the International Employment Relations Association (IERA), this Introduction reflected on the implementation and effects of diversity management in diverse contexts. From the contributions in this issue and our elaboration, we can conclude that the implementation of diversity management does not provide inclusion of women, elderly and migrants in the work force *per se*, but that achievement of this aim depends on its fit with the socio-cultural context and its integration in the human resources management system of the company in particular. To provide equal opportunities, both group characteristics and individual achievements need to be taken into account. Moreover, the implementation needs to be driven by a flexible and pro-active approach of managers rather than a defensive and bureaucratic interpretation.

Moreover, the effects of team diversity on team performance are not self-evident, as many contributions show. As the meta-study of Haas shows, the development of subgroups, based on similarity and otherness, may hinder the effectiveness of cooperation and communication. However, both the Spanish case-study and study of Peters, den Dulk and de Ruijter show that the dominant orientation towards strategic Human Resource management and the employment relationship may be an important explanation for the lack of effectiveness of diverse teams and work-place policies and practices which may have the potential to include various groups in the work-force.

Most managers still apply a traditional management style with a focus on individuals rigid control mechanisms, while a group-oriented style may be more supportive for the effectiveness of team diversity and related policies and practices.

This brings the special issue to the question of the legitimacy of diversity management. Very often, the implementation of diversity management programs is legitimized by the need of organizations to support a dual agenda (Coleman and Rippin, 2000). Managers often support implementation of diversity management by both business-case arguments and by social-justice arguments. However, the fact that the literature review by Haas does not show increased team effectiveness confronts the reader with the vulnerability of solely emphasizing business-case arguments for supporting the implementation of diversity management. Business-case arguments refer to positive effects of increasing team diversity for the performance of organizations. As soon as these (short-term) effects cannot be identified, the reason for introducing and supporting diversity management can be debated. Therefore, we would like to plea for an emphasize on arguments of justice and a long-term approach that supports diversity management with arguments of sustainability of the employment relation. An equal representation of different groups in the workforce is a long-term investment in human capital. In view of contemporary labor-market developments, also investing in facilities that support the work-family interface, like home-based telework, can be viewed a long-term investment, since it applies to the changing needs of both male and female employees over the life course.

This special issue provides us suggestions for two lines of future research. The first line regards the effectiveness of diversity management in different contexts. Some contributions focused on particular national contexts, for example. In other contributions, also those including data collected in various countries, the national context was not taken into account as an explanatory factor. However, some national contexts may be more suitable for mainstreaming diversity management in their organizational systems. Given the increasing need for a fundamental transformation of management styles, future research could elaborate on the influence of national culture explaining differences in the institutionalization, effects and long-term success of diversity management. It would be particularly interesting to see how multinational companies deal with potential problems regarding the introduction of diversity management in their subsidiaries characterized by different national and organizational cultures. Of course, also some industries, organizational workforce-characteristics, and tasks, may fit better with the required changes in the organization of work. It would be interesting to study which sectors and firms take the lead with regard to the introduction of diversity management. May be, those anticipating a tight labor market depending more on a more diverse labor supply may be willing to change their policies in order to go beyond the usual suspects when looking for and recognize possibilities to invest in and pick the fruits of employees' potential human capital in the long run.

A second line of future research we would like to suggest considers the role of managers in the implementation of diversity management. Different contributions show the importance of managers' attitudes in the implementation process and the effectiveness of diversity management. Therefore, research is needed on how to increase managers' awareness of workplace diversity and support their involvement in the implementation process. What are the effects of different trainings trajectories and the use of participatory methods on increasing managers' awareness of diversity issues and supporting their commitment to the implementation of diversity management? How to support the introduction of a flexible management style that

combines the attribution of autonomy to individuals with an orientation towards group work?

The research presented in this issue also has consequences for the practice of diversity management. The first consequence is the need for the integration of any diversity management program in the Human Resources System of the company. Diversity management needs an “elaborate implementation,” rather than a “strict implementation,” which means it needs to be connected to all aspects of personnel policy, like recruitment, appraisal, remuneration, training and promotion, and, importantly, the organizational culture, including the workforce philosophy.

Moreover, (line-) managers need to be pro-active involved with diversity management, rather than leaving it solely to the personnel department. They need to actively encourage and support individuals to develop and grow, especially when these individuals miss role models or do not fit stereotypical expectations.

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