GLOBAL WORKFORCE DIVERSITY MANAGEMENT: CHALLENGES ACROSS THE WORLD

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Abstract: The increased integration of global workforce from different countries of the multicultural world is a phenomenon which is lately observable in the labor market, i.e., people with different beliefs and backgrounds are interacting due to world’s rapid globalization. However, maintaining a positive workplace has been one of the essentials that companies work on to build their brand as an employer. Many articles have been written on diversity management, but little research has been done on global workforce diversity management. The aim of this article is to review recent literature, analyze publications in the field of diversity management, and to provide an insight into the challenges facing human resources management globally, with special focus on the Czech Republic. The paper provides a comprehensive review of quantitative, qualitative, and theoretical studies published in journals and selects articles that fulfill the desired criteria. In most companies, human resource management centers around effort to increase diversity and endorse inclusion. The target groups for diversity efforts differ according to the geographical region. Most countries, particularly in Europe and North America, insist mainly on retaining and promoting gender equality. These findings will benefit not only academicians but also managers and potential researchers, as they will be able to learn about the various aspects of global workforce diversity management.

Keywords: global workforce; diversity management; Czech Republic

JEL Classification: M14; O15; O57; Y3

1. Introduction

Rapid developments in science and technology; essential ingredients of globalization which made diverse workforce a reality in present day organizations. In other words, globalization has given an upswing to a number of factors which in its turn increased diversity in the labor market. These factors include (Urbancova et al., 2016): demographical changes, decreasing amount of manpower, increasing demand for manpower within organizations, growing rate of women employed, greater inclusion of migrants and people with disabilities into the workplace.

In this regard, organizations had to adopt a global approach in order to survive in the global marketplace and started to seek a more dynamic cultural model. Hence, they began to accept
and value a global workforce, where employees come from a variety of ethnical, religious, racial, and gender backgrounds (Edewor and Aluko, 2007).

Consequently, diversity management as a managerial approach emphasizes workforce variety in the workplace while indicating an impact on group-level outcomes as manifested in team performance and social integration (Horwitz and Horwitz, 2007). Diversity management falls under the area of human resources management and promotes involvement of workforces from different cultures, religions, and backgrounds in an organization’s structure. Thus, firms with diversity management are likely to consider more options and generate more ideas for launching new competitive moves, which in turn increases their ability to recognize and exploit opportunities for developing competitive actions and thus to concatenate numerous short-lived competitive advantages that lead to superior performance (Andrevski et al., 2014). Almost 63.3% of companies have diversity management nowadays, which is 20% more than two years ago (Charta der Vielfalt, 2018).

Most managers are convinced that when diversity is properly managed, it offers the organization a competitive advantage. Hence, practices that are associated with insider status, including sharing information, participation in decision making, and having a voice, are reflected in measures of inclusion, i.e., in increasing the employee’s perceptions of inclusion (Shore et al., 2011). In this context, Gilbert et al. (1999) mentioned that achieving an attractive image in the business world is eye-catching for new potential workers and one of the most important competitive advantages that allows for acquisition of unique human resources, richer knowledge of customers, cultural sensitivity, and consistently reaching more efficient results through marketing efforts, creativity, innovation, and so forth. Meanwhile, Keil et al. (2007) stated that strengthening cultural values within the organization may lead to improvement of the organization’s reputation while gaining better possibilities for attracting highly talented people and improving the motivation and performance of potential employees.

However, in order for organizations to remove all sources of potential differences and conflict in the workplace, they have to implement various policies and programs to promote equality and tolerance among their employees.

The aim of this article is to review recent literature, analyze publications in the field of diversity management, and to provide an insight into the challenges facing human resources management globally, with a special focus on the Czech Republic.

The second part of the paper provides a theoretical background for the concept of diversity management. The third part describes the methodology used. The fourth part concentrates on the global situation of diversity management and provides a continental comparison. Subsequently, this part discussess Czech Republic’s diversity management. The fifth part discusses and summarizes the main challenges facing the HRM globally. Finally, the conclusion provides a summary of the topic.

1.1 Literature review

Mor Barak (2015) defines diversity management as “the voluntary organizational actions that are pointed to form a greater inclusion of employees from various backgrounds into the formal and informal organizational structures through deliberate policies and programs.”

The term “diversity management” was widely promoted by the publication by Kandola and Fullerton in 1994 (Kandola and Fullerton, 1994). Since then, it has become the typical label in organizations, especially in the United States, for policies and practices that head toward “equal opportunities” (Kirton and Greene, 2010). However, equality policies have a long history in the employment policy, i.e., since the 1980s, they have been followed by organizations with the introduction of Sex Discrimination Act (1975) and the Race Relations Act (1976) in the USA.
Most of the diversity literature comes from the United States and while it can be useful for conceptual debates, it is important to acknowledge that these debates occurred in different economic, social, legal, and historical contexts and are not entirely transferable to the European context (Kirton and Greene, 2010). For instance, US policy makers paid more attention to redressing ethnic advantage, as a result of the larger minority ethnic population, slavery, and racial segregation, to avoid widespread civil disturbance. In Europe, the progress of multiracial society has origins in post-war and government-sponsored immigration (Solomos, 1989).

Due to globalization of the economy, diversity management no longer refers solely to the heterogeneity of the workforce of one nation but rather to composition of the workforce. In this regard, we recognize two types of diversity management within multinational organizations (Barak, 2015). The first type is intranational diversity management that refers to managing diverse workforces within a single national organizational context, e.g., a company institutes policies and training programs to improve employment opportunities of minority groups or recent immigrants. The second type, cross-national diversity management, refers to managing diverse workforces composed from different countries. For example, a Japanese company with a branch in the Czech Republic, establishes policies and training programs, and subsequently applies them in its subsidiaries. Each of these types experiences different challenges and has to take into consideration the laws and the social norms of each country. In this context, Cox (2001) distinguishes that the challenge of diversity is not to unassumingly have it but rather to create conditions in which its potential to be a performance barrier is minimized and its potential to enhance performance is maximized. Furthermore, he states that diversity management creates a competitive advantage in areas such as marketing, resource acquisition, and problem solving. However, it is important to consider that research in a global context suggests that diversity management has both negative and positive consequences, and a nuanced approach to the link between diversity management and organizational outcomes is in order (Thomas et al., 1996).

Furthermore, positive aspects of diversity in the workplace include the possibility of influencing stereotypes and improving equal opportunities in the workplace and in society. Differences between people can also cause a broader scale of experience, creative thinking, and innovative solutions to problems (Kearney, 2013). On the other hand, there are possible misunderstandings, suspicions, and conflicts, which could in turn lead to absence, low morale or loss of competitiveness. Besides, there are potential problems with social integration of employees; language barrier gives rise to the possibility of weakening the communication flow in organizations and the emergence of communication interferences or risks stemming from cultural differences (Urbancova et al., 2016).

It is therefore necessary, first and foremost, to raise executives’ awareness of diversity and the importance of cooperation for the success of the organization, i.e. to manage diversity from the top down, which in turn demands a change in the organization culture on all of its levels. In terms of strategic approaches to diversity management, multinational corporations (MNCs) adopt an approach that shows their international orientation and strategy. Consequently, their management’s philosophy recognizes diversity as critical for organizational success. In other words, top management’s commitment to diversity should be exposed in its vision, mission, and business strategy in order to eliminate psychological and operational barriers (Shen et al., 2009). If this does not align with the current organizational culture, then a significant culture change may be necessary to create an atmosphere of communal respect for all employees. Meanwhile, at the tactical level, a range of diversity policies should be devised in order to support this management philosophy. However, measuring employees’ perception of existing practices in the area of diversity management and their expectations may be necessary to
facilitate policy development. At the operational level, HR diversity policies are implemented directly at the workplace, which include mostly educating employees, identity-based networking groups, targeting communications to different affinity group members, flexible employment and support for generating a work–life balance (Shen et al., 2009). Grant and Schneider (Sanglin-Grant and Schneider, 2000) found that line managers restatements on organizational policy, especially on racial equality are sometimes at odds with employees’ opinions of organizational practice. Therefore, involvement of line management in the decision-making process is a necessity in order to implement effective diversity management. Figure 1 summarizes the implementation of diversity management on all levels in an organization.

Figure 1: A framework of diversity management implemented at all managerial levels

Nevertheless, diversity management in domestic and multinational corporations is not on the same level as their strategic decision-making and cross-national coordination activities. Even though domestic corporations are starting to get engaged in the area of diversity management, the same cannot be said about global diversity management. Thus, a growing number of international, multinational, and global organizations have now departments which specialize on global diversity management, whilst domestic diversity management has the more traditional role of assembling a national policy and accompanying effective implementation of the policy in a concrete country. The difference between diversity management activities in domestic corporations and MNCs can mainly be seen in North America and Europe, where the practices of diversity management have undergone a certain development.

However, the ever-increasing globalization has placed management of cultural differences into HR agendas. The key to exploiting the advantages of multiculturalism while avoiding its potential negative consequences is to create an organization in which members of all socio-cultural backgrounds contribute and achieve their full potential. To achieve this, HR managers face a dichotomy in maintaining a balance between meeting the objectives of the organization, on the one hand, and retaining the individual cultures of employees on the other (Edewor and Aluko, 2007). Experts agree that a person’s job match is positively related to job satisfaction and job performance, in particular a person’s job match mediates the relationship between
workforce diversity management and employees’ outcomes (Li et al., 2020). Cox and Blake (1991) claim that the benefits of effective diversity management include reducing turnover, absenteeism, and attracting the best candidates as the labor market shrinks. Moreover, Cox has provided a conceptual framework (Figure 2) showing the impact of diversity on organizational and individual outcomes.

*Figure 2: An interactional model of the impact of diversity on the individual outcomes and the organizational effectiveness*

This model (Figure 2) shows that a person’s affiliations such as gender, race, and age can be analyzed on three levels, i.e., individual, group, and organizational, which in turn define the climate of diversity in the organization. This climate influences individual and organizational outcomes which in turn influence organizational factors such as productivity and work quality.

The next part of this article concentrates on the methodology used, the summarization of the global basis of diversity management, and on providing a comparison between continents. Subsequently, this part discusses diversity management in the Czech Republic.

### 2. Methodology

A systematic review of the literature on diversity management was carried out by means of a search using the relevant keywords. Specific keywords like *global workforce diversity, diversity management, managing diversity* were used, subject to certain criteria. To access the relevant articles, the author primarily searched the relevant databases (WoS, Scopus, SAGE).

This paper provides a comprehensive review of quantitative, qualitative, and theoretical studies published in journals and selects articles that fulfill the desired criteria. It concentrates on global diversity management and makes the required regional comparisons. This part is based mostly on the research commissioned by Forbes Insights and conducted by Oxford
Economics, which provides a unique ranking of employee diversity across fifty global economies, fourteen industrial sectors, and nine occupations.

3. Results: Diversity management across the world

3.1 Europe

Europeans are exceedingly engaged in promoting diversity and inclusion, thus 37% of European respondents strongly promote diversity, compared with 30% in Asia, and 34% in North America (Oxford economics, 2019). Furthermore, equal opportunity laws form a more powerful business rationale for diversity initiatives in Europe than elsewhere. Whereas 50% of European respondents claim that legal obedience is the major business rationale, only 37% of Asian respondents and North American respondents claim the same (Oxford economics, 2019).

One of the most impactful economic events in Europe in recent times was a large number of women entering the workforce. In advanced countries, this growth has been fast. Today, three countries with the highest rate of women in the workforce are Iceland (78%), Denmark (75%), and Norway (71%) (Oxford economics, 2019), with the gender gap also narrowing in the G8 countries.

In order to keep an emphasis on gender diversity, European companies focus their diversity programs on work-life balance issues. Hence, 42% of European respondents say that they focus on such measures (Oxford economics, 2019).

A study conducted by Tyrowicz et al. (2020) across forty-one advanced and emerging European economies showed that board gender diversity has generally increased, however, women remain rare in these positions in Europe; approximately 70% of organizations have no women directors on their supervisory boards and 60% have no women directors on management boards.

The lowest rates of participation in the workforce in Europe are among older workers. Of the fifty nations in the index, the bottom twenty are all in Europe. The only exception is Iceland, which ranks third, with 35% of economically active persons over 65 (Oxford economics, 2019). The five lowest ranking countries are Hungary, Belgium, Slovakia, France, and Luxembourg (Oxford economics, 2019). However, these rates could change if more European countries adopt policies requiring older workers to engage in the workforce.

Correspondingly, European companies fall short with regard to inclusion of ethnic minorities in their ranks. According to the survey issued by Oxford Economics (2019), only 49% of Europeans say ethnic minorities are included in the workforce.

3.2 North America

The United States ranks 9th on the D&I (diversity and inclusion) index, scoring realistically well with most measures of diversity. North American companies are more open to the idea that strong diversity measures are needed. Although most U.S. multinational corporations have substantial workforce diversity management programs in their U.S. operations, they are only beginning to consider parallel efforts in their overseas subsidiaries and affiliates (Egan and Bendick, 2003).

However, there are plain differences in the diversity of employees across different occupations and industries in the USA, e.g., over seven in ten human resources specialists are women, and the allocation of people of Black, African Americans, Hispanic or Latino backgrounds is also well above average. In this context, female labor market participation has
improved in the US (59%), but still trails the leading European countries such as Iceland and Denmark (Oxford economics, 2019).

Moreover, in the USA, both gender and ethnic diversity decrease severely, the higher one climbs the occupational ladder. Of the 1.5 million chief executives in the US, just one quarter are women and only one in ten are ethnic minorities. This ranks the CEO alongside farmers and military personnel as one of the least diverse occupations (Oxford economics, 2019).

Conversely, North American companies’ managements are also more optimistic with regard to the need to increase diversity in the very senior ranks. Thus, 28% of North American companies report a general attitude of indifference to diversity in the top ranks, compared to Asia’s 36% and Europe’s 32% (Oxford economics, 2019). Instead, North American companies place more importance to presence of racial and ethnic minorities.

3.3 Asia

Countries at the bottom of diversity and inclusion rankings include China and Indonesia, large emerging economies with a substantial local labor supply. Workers with disabilities, for example, are in far worse situation than elsewhere. Nearly 64% of Asian respondents say that disabled people are underrepresented in their organization compared to 52% in North America and 56% in Europe (Oxford economics, 2019). The countries with the lowest proportion of women are Japan (0.9%) and Korea (1%) (Oxford economics, 2019). It is unusual for such an advanced economy as Japan to appear so far down in the rankings, but the culture has an insular approach to board room diversity; the majority of jobs are filled by Japanese men, with few women or non-Japanese persons.

3.4 Middle East

In Middle East, diversity of nationality is the most important issue. Particularly in oil rich Arab nations, the focus is on hiring more locals to replace expatriate workers. The UAE, for instance, has the largest share of migrant labor by a considerable margin. It is important to note that the UAE is very different from other countries. Emirati nationals only account for 19% of the total UAE population, much less than in other Middle Eastern states such as Bahrain and Oman, where national citizens account for 62% and 80% of the population, respectively (Oxford economics, 2019). Many of the workers are Indian or Pakistani migrants employed in the construction industry, as large-scale developments in the UAE are completed at a rapid pace. Similarly, the local office economy is dominated by expatriates from all over the world, including many of the highest paid jobs. Immigration on this scale creates both benefits and costs: the UAE government now acknowledges the need to increase the share of local citizens in its labor market. However, it is important to note that the UAE shows low economic activity rates for local female employees (28%) compared to female migrant labor (47%) (Oxford economics, 2019).

3.5 Czech Republic

The results of the research conducted by Urbancova et al. (2015) showed that most of the discussed organizations in the Czech Republic do not apply the concept of diversity management at all (57.4%) and that most organizations that do apply the concept are from the tertiary sector (67.5%). Another research led by Safrankova and Sikyr (2019) showed that SMEs (small and medium-sized enterprises) are able to effectively and efficiently prevent gender and age discrimination of employees in the Czech Republic, but also pointed out that they should focus more on creating and maintaining employment opportunities and working conditions in line with the natural diversity of people. Furthermore, this research concluded that
diversity management policies and practices in SMEs should be focused on diverse employee selection, evaluation, compensation, and development. These activities may then enable SMEs to attract, employ, and develop gender and age diverse groups of people. Moreover, the Czech Republic was one of the eight countries who opposed a proposed EU regulation from the European Commission in 2012 that set a 40% quota on the mandatory representation of women in the management structures of selected companies (Leseticky et al., 2016).

4. Discussion

As multicultural organizations become more global in their maneuvers, the difficulties resulting from the cultural diversity of the organization’s workforce become more apparent to HR managers. In order to address these apprehensions, Doktor et al. (1991) propose that theorists should develop models that capture these realities. Thus, in terms of global diversity management, there is a need for new and systematic conceptual frameworks, as well as new programs for training and educating the new cohort of global diversity managers.

Even though a number of models were developed for global diversity management, there are still lingering challenges in attaining effective global diversity strategies and practices. Managing multicultural organizations is a complex issue, because managers face formidable challenges when building such organizations with a focus on valuing diversity, because the viewpoint is not typically shared by all organization members. Most people feel comfortable in peer groups and introduction diversity may impact this perceived level of comfort.

Nevertheless, the integration of migrants is one of the biggest challenges to European Union countries today, and it signifies a serious challenge to the management of European diversity. While migrant integration remains the primary responsibility of nation states, EU policies are important with regard to knowledge exchange, its promotion, and the monitoring of integration practices (Tomic, 2018). In EU, integration of migrants is a key mechanism to maximize the opportunities and contributions that migration can make to EU development, while employment is central to the participation of migrants. European Union legislation provides a strong anti-discrimination framework and emphasizes equal opportunities.

Furthermore, a study conducted by Schoen and Rost (2021) among companies of all sizes in Germany and Switzerland showed that organizations with a higher proportion of managerial positions have higher proportions of women and minorities in the management. The higher the proportion of women and minorities in the organization overall, the higher the proportion of women and minorities in the top management. In this regard, Warren et al. (2019) distinguished four main themes as drivers of gender research from a positive perspective, namely: performance, social integration, well-being, and justice or moral matters. These themes highlights the pathways to organizational progress through positive diversity and inclusion practices.

Likewise, aging populations are a significant challenge to governments, as they affect economic growth, trade, migration, and put strain on pension systems and other social programs (Oxford economics, 2019). To counter this, countries such as the U.S., U.K., and Germany have acknowledged plans to elevate the threshold for age-related entitlement programs. Having employees work longer has two obvious economic benefits: it boosts output and reduces the period of time over which pensions need to be paid (Oxford economics, 2019).
5. Conclusion

Diversity and inclusion have started to be accepted as a business topic worldwide, the reasons ranging from moral concerns to profitability. Most companies across the globe therefore strive to increase their diversity and to promote inclusion. The target groups for diversity efforts fluctuate in different geographies, but most regions, especially Europe and North America, have an emphasis on attracting, retaining, and promoting women. However, several approaches seem common to all regions. These include changing attitudes at the top of organizations, conducting ongoing trainings to promote better understanding between employees with various backgrounds, and creating opportunities for minority groups. However, as the workforce becomes more diverse, tensions over cultural issues are expected to occur. Cultural conflicts can be a significant drain on energy of the people involved, especially minority members who are more likely to feel overwhelmed by the differences. For organizations, changes in workforce demographics bring both opportunities and challenges. An organization that manages to become multicultural contributes to an environment in which all of its associates can achieve their maximum potential, and in which the value of diversity can be fully realized.

Finally, in line with these findings, the concept of diversity management in the Czech Republic should investigated further, using field studies. Diversity management implications in Czech companies, the process of these practices, and the consequences of these approaches on the outcomes of the companies can serve as the point of departure for future research studies.

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