A THEORETICAL STUDY ON GLOBAL WORKFORCE DIVERSITY MANAGEMENT, ITS BENEFITS AND CHALLENGES

Keywords
Multiculturalism;
Equality;
Equal employment opportunity;
Organisational culture;
HRM;

JEL Classification
J50, M12, M14, M54

Abstract
Currently, workforce diversity management is a growing trend in Human Resources practices in most international companies. In the 21st century employees with different backgrounds, mindsets, desires, needs, interests, and personal opinions are acknowledged as the main available source of innovative ideas that companies can implement towards profitable performance and expanded market. Therefore, in this theoretical publication, the authors present a content analysis of the existing research on the notions of diversity and inclusion, equal employment opportunity and diversity management. The paper also includes an analysis of the differences between equal employment opportunity and diversity management and views workforce diversity management in a global context. Based on the report from Mckinsey & Company the authors give an overview of the importance of workforce diversity management, its benefits and challenges that arise along with the implementation of diversity practices in a company. The findings show challenges of workforce diversity management previously discussed by scholars in existing literature from 2017 to 2020. This literature review enhances present materials on a specific topic and forms research possibilities for prospective investigation. Besides, the study reveals several gaps in existing information and explains the need for future research. The authors believe that, due to the lack of a wide representation of this issue in open sources, the materials will be interesting and useful to scholars and HR managers of companies in various sectors of the economy aimed at long-term business development.
INTRODUCTION

The increasing globalisation tends organizations to operate on the broader market, therefore people from diverse societies, views and experiences, nowadays are challenged to more interaction with each other regarding work and business activities (Odah, 2016). The paper presents the idea of the beneficial individuality of each team member that should be managed appropriately, especially in terms of an international company. Despite the opinion that effective diversity management has been employed as support of minorities and as a defence in opposition to discrimination (Shen, Chanda, D'Netto, & Monga, 2009) in recent years, the practice of diversity has become an integral aspect of organizational management. In addition, Dajnoki, Máthé, Fenyves, and Kun in 2017 contended that differences are anticipated to be more critical within the future, due to contrasts expanding within the populace along with international migration.

The current demographic changes in many developed economies pose obstacles to the management of human capital in the workplace. In particular, an increase of individuals from different cultures and backgrounds, a rising number of older employees and women employability. On the other hand, all these developments in the labour market generate new opportunities due to a more differentiated employees' heterogeneity of backgrounds and different viewpoints at work; involve creativity and adaptation of many HR management techniques such as employment, retention, training, promotion opportunities and reward (Hertel, van der Heijden, de Lange, & Deller, 2013). Combining people from various cultures, races, generations and lifestyles, a company can respond more quickly and creatively to business opportunities, particularly in the global arena (Cox, 1993), which should be one of the critical corporate objectives to be achieved. More significantly, there is a possibility of losing talent to rivals if the organizational climate does not embrace diversity widely. This seems to be particularly the case for international corporations that operate on a worldwide level and recruit employees from various countries with diverse social backgrounds. Accenture, General Motors, Astra Zeneca, Boeing Company, Randstad, Marriott International, Nielsen, United Airlines - all these companies currently called progressive and included in the DiversityInc Top 50, because they are guided by the principle of diversity and inclusion in personnel policy (DiversityInc, 2021a).

This study will attempt to answer the questions below:

RQ1. What are the benefits of implementing workforce diversity management for an organisation?
RQ2. Which challenges an organisation might face along with workforce diversity practices?

In the next sections, the authors give a review on the formation of definitions on diversity and inclusion, Equal Employment Opportunity (EEO), diversity management (DM) and workforce diversity management (WDM). Then, an analysis of the differences between DM and EEO will be provided. Afterwards, the authors will focus on global WDM and its tendencies.

DIVERSITY AND INCLUSION, EQUAL EMPLOYMENT OPPORTUNITY AND DIVERSITY MANAGEMENT

Diversity and Inclusion strategy itself emerged from the statement that people are born with a different and unique appearance, age, race, gender or sexual orientation and are not able to change it. Meanwhile, the rights of every person remain equal: to work, education and communication, creativity, social activities. In the current literature, a set of individual skills, cultural background, education, intergenerational features are recognized by diversity policies along with ethnicity and gender (Council of Europe, 1988).

The term Equal Employment Opportunity (EEO) means an individual's right to work and to have equal access to employment opportunities, regardless of ethnicity, skin colour, nationality, gender, sexual orientation, gender identity, religion, disability, age or status as a veteran, without discrimination or harassment (Purpura, 2008) and it is fully based on the law (Orife, 2016).

Diversity management is built on the premise that all persons are unique and their individual differences need to be recognized and properly assessed by a company's managers. As established in earlier studies, workforce diversity management means more than ethnicity, religion, age and gender of employees, it also includes workability, sexual orientation, personal beliefs and prejudices of each individual (Kandola & Fullerton, 1998; Ohunakin, Adeniji, Ogunnaike, Igbadume & Akintayo, 2019; Saxena, 2014). Kandola and Fullerton (1994) in their book relate the definition of diversity management to mosaic, which is the symbol of an organization for different individuals, combined in a whole, just as multicoloured pieces form a colourful composition. The main idea of this explanation is that each element is distinguishable, admired and has its place in the overall structure. Based on this notion, recent scholars define diversity management as policies and practices designed to recognise and appreciate the
uniqueness and differences among employees, thereby creating an emphatic work environment and equal opportunities (Patrick, & Kumar, 2012; Ohunakin et al., 2019; Syed & Memoona, 2017).

DIFFERENCES BETWEEN EQUAL EMPLOYMENT OPPORTUNITY AND DIVERSITY MANAGEMENT

In the earlier research (Sharma, 2016) it is proven that the two concepts EEO and DM are different, but the term EEO may be simply replaced by the term DM. Berry (2016) in his work “Diversity and equity” believes that for multicultural societies and their organizations to be efficient, these conceptions are essential. Therefore, considering DM as a genuinely new concept, the whole body of ideas underlying the concept of EEO should be carefully revised and developed, where necessary. Thus, the evolutionary progress of the idea of EEO forms the concept of DM. Table 1 summarizes the distinctions of the two concepts and presents the differences between them.

The main points, highlighted from the findings, consist in the idea, that EEO is based on the law, and created to protect human rights, whereas DM is concentrated on the acknowledgement and respect of differences among employees with a purpose to create a positive work atmosphere. DM related to all workers and business environment itself, whilst EEO created for protecting minorities and underrepresented groups of the workforce and lying more to individual or community approach. It also states, that EEO related to the term of Affirmative Actions (AA), while DM is not directly based on the AA (Holzer & Neumark, 2006; Strachan, Burgess & Sullivan, 2004).

The prerequisites for the evolution of the notion of workforce diversity management arose back in the late 1960s in the USA (Jonsen, Maznevski & Schneider, 2011) when active attempts were made to overcome racial and gender discrimination: laws restricting the rights of the black population were abolished, and a feminist movement developed. Then a policy of positive discrimination emerged in commercial companies, which consisted of the fact that applicants who did not belong to minority groups were denied jobs to replace them with representatives of more vulnerable communities. But in the end, positive discrimination is also discrimination; therefore, the new policy was called Affirmative Actions (Joshi Pant & Vijaya, 2015; Ashikali & Groeneveld, 2015). Nkomo and Hoobler (2014) in their research “A historical perspective on diversity ideologies in the United States: Reflections on human resource management research and practice” extensively investigated diversity principles in the United States from the mid-20th until the beginning of the 21st centuries and provide a historical prospect on distinctive groups in the workplace to understand the change of managerial strategies to diversity. It becomes apparent that the entire 20th century is characterized by the plight of diverse classes (racial, gender, social, etc.) for their rights while reviewing the historical facts.

WORKFORCE DIVERSITY MANAGEMENT IN GLOBAL CONTEXT

Speaking globally, diversity management has distinctive importance and perceived differently in multinational regards (Buttner & Tullar, 2018; Sharma, 2016). Shen et al. (2009) argued that multiculturalism in Western countries, including EU nations, has always been a critical component of heterogeneity, whereas racial integration in the United States and South Africa seems to be the prevailing problem. Many global and innovative companies are well aware of the benefits of a diverse workforce and are setting up diversity and inclusion initiatives within their organization to ensure a positive workplace culture. In international business, outside pressure on the organization and the need to manage diversity is felt more intensely by companies, and therefore global approaches to diversity management are shaped by both national and international influences. Worth noting that regarding the country politics, culture, environment etc., companies tend to develop their policies in terms of surrounding circumstances and shape the HR practices to a particular workforce. This implies that best-practice enterprises carry global diversity to the local level and tailor programs and policies for each region or nation. Currently, the largest American organisation in the diversity management market is Diversity Inc. (Filbeck, Foster, Preece, & Zhao, 2017). One of its main differences from competitors is its versatility: the company covers almost all aspects of diversity in business, without depriving any minority group of attention (most companies specialize only in a narrow circle of groups). Moreover, Diversity Inc. believes that the principles of diversity must be adhered to even while building a customer base (DiversityInc, 2021b).

The most extensive definition of global WDM was given by Önday in 2016. He defined it as organizing, execution and application of a variety of management practices, programs and activities for coaching and development that aim to balance different sets in a group or individual contexts, priorities, views, principles and ways of operating in organizations with domestic, multinational, global, transnational workforces and activities.
IMPORTANCE OF WORKFORCE DIVERSITY MANAGEMENT

The main idea of managing diversity should be highlighted: it is managers' awareness of workforce heterogeneity and diverse individual needs that have an impact on employees' performance, which influence organisational productivity (Saxena, 2014; Sharma, 2016). There are important debates on the subject of an organization's performance and productivity, which rely on managers' willingness to accept employee diversity, create and execute diversity strategies, and consider the advantages of a diverse workforce. Diversity in the workplace is a must for success in today's world - from the perspective of economic development and intellectual property.

The recent report by McKinsey & Company (2018) conducted among 15 countries and over 1000 large organizations, aimed at finding a relationship between the diversity of organizations and their performance, finds a significant link between diversity and financial outcome. And while this relationship is not a direct cause of improved results, it would at least indicate that companies with a more diverse leadership may be more successful. The document also provides some keys to understanding why the most diverse companies perform better:
- They help attract and retain talented employees.
- They improve customer-oriented processes.
- Diversity among the workforce provides such positive effects as creativity, problem-solving and innovation.
- Increase employee satisfaction.

The research of Mor Barak (2015) shows that programs in the area of diversity are closely linked to organizational success and competitiveness. The diversity of the workforce directly affects the quality of a company's services, since employees with a certain experience can serve a particular category of customers; understand their needs, type of thinking, culture, thereby providing an individual approach and enable a corporation to offer customer service on a global basis. Organizations with a wide variety of employees can offer a broader range of views to problem-solving in recruitment, retention and allocating human resources. In fact, research by McKinsey & Company (2018) shows that companies with a diverse workforce have 35% higher financial returns than the industry average. Another potential financial gain related to diversity is cost savings. Specifically, this detrimental impact contributes to increased turnover costs for workers, greater truancy rates, and trials for gender, age and ethnicity distinction (O’Donovan, 2017). The author argues that the turnover of diverse workers is an expensive and important issue for many companies concerning higher turnover rates, as are the resulting additional costs of procurement, staffing and training per worker.

Diversity among personnel offers various viewpoints and ideas when developing a welcoming work atmosphere, because employees have individual skills and expertise, providing ideas that can respond flexibly to evolving markets and consumer needs (Saxena, 2014). The development of diversity and inclusion practices at the workplace, therefore, contributes to innovation and creativity, greater employee engagement levels and then a stronger competitive advantage. Innovation and productivity are powered by diversity and a world-class community and able to exceed competitiveness.

Research data suggest that homogeneity makes innovation difficult and that if a company is run by a single ethnic group, it tends to make decisions worse (McKinsey & Company, 2018). Organisations with a manifold workforce are better aligned with an increasingly heterogeneous customer base, having a better understanding of their behaviour.

Regarding the quantitative analysis of Ohunakin, Adeniji, Oludayo and Adewale (2018), one of the significant indicators of organisational performance is employees' job satisfaction. Thus, the diverse approach and openness of an organisation for heterogeneity help to attract an extended talent pool creates a great HR reputation, which afterwards leads to loyalty and retention of employees. The presence of a sufficient number of members of minority groups increases the confidence and self-esteem of the employees at the same time that it weakens prejudices. In the research (McKinsey & Company, 2018), it is shown that the increase in satisfaction is activated when the representation of diversity is higher than 15%. Promoting diversity provides an effective means of addressing the talent shortage. Diversity in leadership positions can help bring more talented people to the company, gain a competitive advantage in hiring, and enhance reputation in markets.

CHALLENGES OF WORKFORCE DIVERSITY MANAGEMENT

The diversity management policy has many opponents, who argue that along with the obvious advantages of heterogeneous teams, they also have specific disadvantages. The main source related to the work of O’Donovan (2017) who described the main challenges faced by organisational management regarding diversity management implementation. The analysis of WDM challenges in the existing literature is presented in Table 2. Defining tokenism the authors relate to the definition from Merriam-Webster dictionary: “a
practice of doing something (such as hiring a person who belongs to a minority group) only to prevent criticism and give the appearance that people are being treated fairly (a symbolic effort”). However, the risks of losses from conflicts of team members for large companies usually turn out to be insignificant compared to losses that cause public discontent and loss of shareholder loyalty if the company does not adhere to the principles of gender equality. Moreover, existing research on conflict management in cross-cultural perspectives seems to be insufficient (Yi, 2019).

CONCLUSIONS

The study includes definitions of diversity and inclusion, diversity management and workforce diversity management. The findings of the paper give an overview of current global workforce diversity management and answer the research questions stated in the Introduction section by analysing the pros and cons of applying diversity practices in organisations. Currently, diversity management is relevant to all markets and modern globalization forces organisations to follow global trends and to form well-developed managerial strategies for the coming years. Moreover, current expectations from organisations are more than just legal compilation - it requires assessment and acceptance by managers of the differences among employees, ensuring equal employment opportunities and promotion (Syed & Memoona, 2017), and creation of adequate management programs.

Thus, answering the RQ1 (What are the benefits of implementation workforce diversity management for an organisation?) the summary features of workforce diversity management are the following:
- Diversity management is a powerful employer branding tool as it helps attract and retain talents;
- Helps to enter new business markets;
- Promotes higher creativity and flexibility;
- Expands output of different work teams;
- Increases commitment and well-being of employees;
- Rise in productivity;
- Generates organizations that are more flexible, creative, and socially responsible.

The resume to RQ2 (Which challenges an organisation might face along with workforce diversity practices?) in short will be the following:
- Conflicts (personal and intergroup);
- Need of training;
- Additional costs;
- Harassment or discrimination;
- Challenging implementation of the practice;
- Loss of productivity.

To compete in the modern market, organizations should hire efficient and competent talents that can handle a current ambitious environment (Saxena, 2014). Any organization's potential success depends on the ability to maintain individuals that can bring to work innovative thoughts, experiences and values. The difficulty and challenges encountered by workforce diversity can be converted into a strategic organizational advantage. Thus, to ensure a prospective future, companies' management should actively work on HR strategies for the formation, involvement and retention of a critical resource - human capital. If a company is not able to manage diversity well, it will be losing talents.

In recent decades, diversity management has been intensified by several concurrent circumstances such as globalization, demographic changes, immigration, the new role of women, etc (Prause, & Mujtaba, 2015). These factors are occurring presently and constantly, and thus require continuous research, an update of management strategies and practice, and transformation of study results into management and techniques, and backwards (Hertel et al., 2013).

As for the limitations of the study, it should be highlighted that management of global diversity remains poorly explored (Ozbilgin, Tatli, & Jonsen, 2015). There is a lack of information on theoretical approaches and current practical experiences of diversity policy implementation worldwide. Nevertheless, once again should be mentioned that creating and managing a diverse workforce is way harder than it sounds. Therefore, the authors suggest making deep research on effective managerial approaches to workforce diversity in future studies. The authors believe this article would help scholars develop a broader understanding of the existing information and narrow avenues for further research.

LIST OF REFERENCES


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Table 1  
**Differences between Diversity management and Equal employment opportunity**

<table>
<thead>
<tr>
<th>Diversity management</th>
<th>Equal employment opportunity</th>
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<tbody>
<tr>
<td>Value of differences, respecting every individual in the workplace</td>
<td>Tolerant, right-based and legislative approach</td>
</tr>
<tr>
<td>Ensures the unlocking of potential and maximizes the contribution of employees to the achievement of the organization's goals</td>
<td>Concentrates on discrimination issues</td>
</tr>
<tr>
<td>Covers all employees without exception</td>
<td>Perceived as concerning women, minorities, members of national minorities and people with disabilities</td>
</tr>
<tr>
<td>Emphasis on changing the culture of the organization and achieving the business goals of the organization</td>
<td>Weak connection with organizational culture and business goals of the organization</td>
</tr>
<tr>
<td>Is the business of all employees, especially managers</td>
<td>Perceived as a business that should be dealt with by HR specialists</td>
</tr>
<tr>
<td>Does not include &quot;affirmative action&quot; (AA)</td>
<td>Use &quot;affirmative action&quot; (AA)</td>
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*Source: the authors’ own research, 2021*

Table 2  
**Challenges of WDM in previous literature**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Source</th>
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<tbody>
<tr>
<td>Demographic diversity can exacerbate personal conflicts, which, conversely, can lead to loss of productivity</td>
<td>Valentino (2017)</td>
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<tr>
<td>Implementation of training on diversity management for organization members</td>
<td>Weisinger, Borges-Méndez &amp; Milofsky (2016)</td>
</tr>
<tr>
<td>The apprehension of contrary discrimination, and the resistance for diversity management initiatives</td>
<td>O'Donovan (2017)</td>
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<tr>
<td>Occurring of Tokenism in order to achieve quota numbers</td>
<td></td>
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<td>Additional costs</td>
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<tr>
<td>The imposition of the principles of diversity at some point may become boring for employees, especially if they are not included in the groups of certain minorities</td>
<td>Nadiv &amp; Kuna (2020)</td>
</tr>
<tr>
<td>Challenges regarding the employment minorities, such as immigrants from particular countries, elderly, women on maternity leave and handicap persons</td>
<td></td>
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<tr>
<td>Conflicts between top-leaders and line management, and intergroup conflicts</td>
<td>Yang &amp; Li (2017, 2018)</td>
</tr>
<tr>
<td>Barriers to providing diversity practices in small organisations (for instance social enterprise, non-profit sector)</td>
<td>Cho, Kim &amp; Mor Barak (2017), Valentino (2017)</td>
</tr>
<tr>
<td>Difficulty to identify which diversity practice should be implemented, as not all the forms of diversity practices may have a positive effect</td>
<td>Yadav &amp; Lenka (2020)</td>
</tr>
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</table>

*Source: the authors’ own research, 2021*