THE IMPORTANCE OF DIVERSITY MANAGEMENT IN RELATION WITH OTHER FUNCTIONS OF HUMAN RESOURCE MANAGEMENT - A SYSTEMATIC REVIEW

Keywords
Human resource management; Diversity; Literature review; Well-being; Performance;

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Abstract
Diversity in the workplace has become a topic of great interest nowadays due to its benefits to the organisation and the people working in it. This research aims to investigate the importance of diversity management in the organisation and the relationship between diversity management and the other functions of human resource management. The research took a qualitative approach through a comprehensive review of previous literature. Six main functions of human resource management were identified: recruitment and selection, performance assessment, development of human resources, penalties and rewards, perception of employees, and well-being of employees. In addition to that, the four main aspects of diversity were found to be diversity of age, gender, 

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ethnicity and religion. Additionally, it was found that enhancing the diversity management of these aspects affected all the other identified human resource functions positively. For that purpose, it is recommended to promote diversity in the organisation through human resource management in an embedded way within the organisation's systems, which ensures the well-being of the employees and increases the performance in the organisation.

INTRODUCTION

Diversity management has been considered an important factor in enhancing the workplace environment and productivity for a long time (Saxena, 2014). Nowadays, it is considered essential to overcome discrimination in the workplace environment to enhance employees' performance (Elei, 2016). Diversity in the workplace means the presence of differences between people in the workplace. These differences can be of different natures or, let’s say, aspects. There are various aspects of the diversity of the workplace, which many researchers in the past have identified. Seliverstova & Pierog (2021) mention that in the modern days, the concepts of diversity and diversity management have become a trend that’s growing rapidly and gaining more and more popularity in national and international companies. Human resources are considered the primary source of information and ideas, making a diverse workforce a rich source of diverse knowledge and ideas. This would increase and expand the organisation of such a diverse workforce. The authors mention a general lack of publications discussing the importance of workplace diversity, making it essential to review such studies.

LITERATURE REVIEW

The importance of diversity management

The term of diversity has been a subject of comprehensive discussion worldwide in the various fields and aspects of life, as the importance and benefits of the different aspects of diversity and becoming more recognised by people around the world (Benbow, 2014). The term diversity management is associated with organisations’ human resource management field. Diversity management can be defined as the planning and implementation of certain procedures in the organisations the main goal of which is achieving the diversity of employees in the workplace in a way that brings the benefits of diversity into an organisation and reduces the weaknesses of the workforce (Stotz & Wedel, 2009).

Several actions and procedures can be taken for human resource management, such as inclusion encouragement, unique recruitment procedures that promote diversity, organisational strategies that encourage diversity, and diversity in the top management (Fapohunda, 2016). Various aspects can be considered parameters of diversity, such as diversity of age, creed, gender, ethnicity, and nationalities. Additionally, disabilities can also be considered a diversity parameter (Urbancová, 2016). It is considered essential to include the different parameters of diversity in the workforce of the organisation in order to get the full benefits of diversity.

Various studies investigated the benefits of diversity in the organisation, as it was found that one of the benefits of diversity in organisations is evident when targeting a certain group of customers. Having a diversified workforce within the organisation ensures the presence of people who understand the different groups of customers and the need of their markets; this makes the entry into new markets, as well as strengthening the presence in the already-existing markets easier, which ensures the success of the organisation (Charta, 2014).

Applying diversity management increases the strength and size of the organisation as it was proved by Urbancová (2020) that the application of diversity management could increase the retention of employees, enhance the motivation and, as a result, the performance of employees, and improve the quality of the working environment of the organisations. This effect became much more significant with globalization due to the technological development which brought the people with different cultures and backgrounds together (Jeníček & Krepl, 2008; Kim, 2009).

Functions of Human Resource Management

Fast and flexible reaction to the changing environmental challenges has always been a demanding task for organisations (Dajnoki & Héder, 2017). Human resource management plays a key role in implementing sustainable corporate operations, and the role of HRM in corporate strategy is becoming more and more decisive (Gelencsér, Végvári & Szabó-Szentgróti, 2021). As a result of globalization, environmental changes and technological development, many new HR functions have appeared in corporate practice. Nowadays, almost 20 areas of activity can be identified, depending on the organisation’s size;
only the so-called traditional functions can be identified (Héder, Szabó & Dajnoki, 2018). Noe, Hollenbeck, Gerhart & Wright (2017) explain six key functions of human resource management: selection and recruitment plans, performance assessment, development of the human resource, establishing a system of penalties and rewards, encouraging the participation of employees, and ensuring the well-being of employees. Although there are other functions of which a human resource manager practices, these are the main ones related to this study.

The recruitment plans and selection function indicate the systems established for attracting new people by creating a brand of an attractive employer, making it desirable for people to apply for the organisation. The next step is the selection process, which should be done according to certain criteria and requirements (Ekwoaba, Ugochukwu & Ikerje, 2015). After the recruitment, it is vital to ensure that the employees remain productive. This is done by the second function of human resource management, which is the performance assessment, which is done by establishing targets, and doing frequent progress reviews to these targets (Pulakos, 2014).

The development of human resources is an essential part of the organisation's development, which is important for the organisation's survival in the ever-changing market. Human resource management should ensure development by establishing learning and training programs (Chukwunonso, 2013). Additionally, human resource management includes establishing a system of penalties and rewards that ensures the employees' and the organisation's success. However, it is important to ensure the system's fairness (Novarini & Imbayani, 2019).

The fifth function of human resource management is the participation of employees. They engage the employees with the organisation's functions, such as decision making and innovation. Additionally, it is essential to establish a strong system of communications within the organisation (Benn, Teo & Martin, 2015). The final function of human resources is to ensure the well-being of the employees by ensuring their safety and good health conditions, as well as ensuring the high standards of their working conditions, increasing their loyalty and the employees' retention in the organisation (Voorde, Peccei & Veldhoven, 2013).

**METHODOLOGY**

The research aims to investigate the importance of diversity management in relation to other human resource functions. The research identified six functions of human resource management (Noe et al., 2017): recruitment, performance assessment, development of human resources, establishing a system of penalties and rewards, ensuring the participation of employees, and ensuring the well-being of employees. The research identifies the relationship between diversity management and each of these functions, as well as the importance of the function of diversity management for these functions. The research takes a qualitative approach because of its descriptive nature.

Online search engines (Web of Science, Science direct, and Springer) were used to obtain the study's required research articles. For the first function of human resource management (Diversity management), the keywords used for the search were (elements or aspects or types and workplace and diversity) used to find relevant research papers and articles. The fields of management and human resources were selected during the search. Thirty research articles in the past fifteen years were collected, of which seven were found to cover all the mentioned types of diversity in the workplace. For the remaining functions of human resources management, a comprehensive review is conducted on previous literature related to the study's topics. Each of the six identified functions of human resource management is investigated separately, and the relationship between them and diversity management was identified. The keywords used for the search were as follows: each of the functions of human resource management and effect or relationship and diversity management) to find the relationship between each of these functions and the diversity management functions. A conclusion will be based on the relationships identified between the different factors. Figure 1 shows the process through which the research was conducted.

**The relationship between diversity management and the functions of human resource management**

The six identified human resources management functions and their relationship with diversity management will not be reviewed separately. The first function of human resource management to be investigated is diversity management itself and its aspects.

**Aspects of diversity**

Aquinas & Yashaswini (2016) identify age, cultural background, creed, religious practices, physical abilities, and gender as aspects of diversity. Another research that identified aspects of diversity was (Dastane & Eshegbe, 2015), which identified gender, age, ethnicity, and educational background as aspects of diversity and studied their effects on employee satisfaction. The research found that these factors significantly affect employee satisfaction and turnover intentions. Table 1 shows the reviewed articles and the identified aspects of diversity in the workplace. These research articles
have been selected among many reviewed based on their relevance with the subject of the study. It can be noted from the previous review that age, gender, ethnicity, and religion are the most discussed aspects of diversity in the workplace in previous literature. These aspects of diversity can almost always be found in any topic discussing diversity in or even outside the workplace. This is mainly due to the fact that these are the most problematic factors of discrimination (Cheung et al., 2016). For that reason, these are the three aspects that are focused on in this study. Table 1 shows the reviewed papers and the obtained information from each.

The role of recruitment and selection in diversity management
Recruitment and selection are vital in the process of human resource management as it creates the structure of the organisation and defines the quality of the people who will make up its workforce (Ahmad & Schroeder, 2002). This perhaps makes recruitment and selection the most important step for the organisation's diversity management, as selecting people of different backgrounds related to the different aspects of diversity identified earlier is the basis of having a diverse workforce in the organisation.

Walters (2019) discusses diversity management in the recruitment and selection process. The researcher surveyed four hundred and fifty employers. The survey obtained various results. First, it was found that forty-five per cent of the employers believe that the currently used tools for recruitment are not effective for establishing diversity in their workplace. The research also identifies the most critical strategies for reducing bias in the requirement phase: establishing anti-bias training programs for managers, having stakeholders assess CVs, and removing personal information from CVs.

Rudolph, Toomey & Baltes (2017) investigates the importance of considering age diversity in the recruitment process of human resource management. The research mentions that the most important action to ensure the recruitment of a diverse workforce is the establishment of core values and principles in the organisation, which promotes equality of people of different backgrounds and origins. The research mentions that it is important to establish a diverse distribution of ages within the body of the workforce in the organisation by establishment requirements of age for the recruitment of new employees that ensures age diversity.

Evans (2012) discusses the importance of ensuring gender diversity in the recruitment process. The research mentions that at the initial stages of establishing the workforce, it is essential to implement strategies that ensure gender diversity rather than implementing gender-blind strategies, which will not necessarily ensure the diversity of gender due to external factors such as social considerations. Additionally, the research mentions that it is vital to make the workplace more attractive and suitable to women, making women want to be hired more in that workplace. Likewise, establishing a system of recruitment and selection that ensures the diversity of race and religion is important for ensuring the diversity of the workforce. Barkman, Snyder, Ramsey & Thiessen (2014) established a toolkit for recruitment that ensures the diversity of race, religion, and other aspects. The research mentions the importance of covering the recruitment steps, starting from establishing the requirement for applicants to ensure diversity of race, the preparations for the interviews, the implementation of the interviews, and the final selection of the employees, which is the most crucial step.

Connection between diversity and performance appraisal
Performance appraisal is a key factor in ensuring the success of an organisation. Performance assessment is associated with establishing a system of evaluating how effective employees are in achieving their goals, identifying the factors that affect that performance, and understanding how these factors can be controlled to give the highest performance possible (Gergely, 2011; Takács, 2013). One of these factors is establishing diversity in the workplace, which, as mentioned earlier, can increase performance significantly. When associating performance appraisal with diversity, the essential thing is fairness in assessing the diverse workforce. Idowu (2017) discusses the importance of a fair appraisal system for motivating the employees, and as a result, their performance. The research mentions that organisations establish systems of appraisals to increase productivity. However, the most important aspect for increasing productivity through the system of appraisals is by establishing a fair and unbiased system. This includes fairness towards people of different backgrounds.

Rivera & Tilcsik (2019) proposed reducing the gender-related bias in performance assessment reviews. The method evaluation that was investigated was the numerical method. It was found that although quantitative evaluations make it easier for managers to understand the performance of employees, they can be gender-biased if not selected appropriately. The research proposes using a six-point scale for the evaluation as it was less gender-biased than the ten-point system. Additionally, promoting gender equality ideologies in the organisation helps reduce the gender-related bias in the evaluations.
It is essential to consider age when performing evaluations in organisations. Miller, Kaspin & Schuster (2006) show that an appraisal system that does not consider age differences promote discrimination in the organisations. Likewise, the appraisal systems need to be fair and unbiased to employees regardless of their differences in race or religion. In order to ensure a high-quality working environment and minimize discrimination in a way that increases motivation and productivity.

**Correlation of diversity and development**

One of the most critical aspects of human resource management is human resources development (Buchari & Basri 2015). One of the most important aspects of a job to employees is knowing that there is a chance for development regarding the different aspects, such as skills and knowledge, promotions, and raises. When associating the concept of diversity with development, there are two aspects to consider. First, there are benefits regarding human resource development that comes from diversity. Secondly, there are ethical considerations to be taken into account regarding the development opportunities with diversity.

The advantages gained from diversity regarding human resource development were investigated by (Philpot & Pasquini, 2012). The basis on the results, organizations attempt to increase their competitive advantages by establishing training programs to develop their human resources. In order to gain the maximum benefits from these training programs, it is crucial to recognize diversity. This is because people of different backgrounds bring more diverse knowledge to the organization, such as different markets. For example, gender diversity enhances the training and development regarding both the male and female markets.

The inclusion of diversity within human resource management means that people of different backgrounds have equal development opportunities regardless of their gender, race, age, educational background, or any other differences. Ateeq, Yussoff, Ali, Lii (2019) show the importance of providing equal development opportunities to different people. The research identifies a direct relationship between equality in the development opportunities and the performance of employees. Additionally, inequality of development opportunities can bury the talents of key employees who have great potential of bringing many benefits to the organization and themselves, just because of differences. Overall, bringing equality into the development opportunities benefits both the organizations and the employees.

**Connection between incentive management and diversity**

Organisations usually establish a system of penalties and rewards that follow the performance assessment to fine-tune the performance of the employees, encourage good practices, and discourage destructive behaviors (Rumokoy, 2019). Rewards and penalties can take various forms, such as financial (raises or rebates) and moral (praise or rebuke). Many scholars argued whether penalties or rewards are more effective for better performance. In any case, both methods are used widely in organisations, and in most cases, they are used simultaneously.

The talk about diversity in the context of penalties and rewards is not very different from that in the context of human resources development, as the most important thing is establishing justice between the employees of diverse backgrounds within the used system of penalties and rewards. This is problematic in many cases; for example, women receive fewer salaries and rewards than men in many organisations worldwide (Kronberg, 2020). This creates a similar problem as mentioned earlier, women become less motivated for work, affecting their performance, and burying talents some of them might have that would benefit themselves and the organisations they work for.

Another aspect that needs to be considered in the reward systems with a diverse workforce is the rewards preference of different people. Pregnolato, Bussin & Schlechter (2017) state that it is essential to establish a system of rewards that takes into account demographic variables for determining the different suitable rewards for different people. The research provides empirical evidence that considering the differences between employees in the reward systems increases these employees' motivation and significantly enhances their performance.

**The role of participation of employees in diversity management**

The importance of employee participation in an organisation has become a matter of fact than a subject of debate nowadays. There are many advantages of including employees that have been discussed in various research works conducted in the past. The advantages of participation of employees, however, become more significant with the presence of diversity in the organisation's workforce. Wong (2020) mentions some of these advantages, which are introducing a bigger talent pool into the organisation, increasing the employees' trust, promoting innovation, enhancing decision-making, and increasing the organisation's profit.

In addition to the benefits of diversity for the participation of employees, some challenges need to be addressed to be overcome. Babacan (2010)
addresses these challenges; some are associated with gender roles, belonging and identity, and social participation. Like all the other issues related to diversity, it is essential to establish justice and equality between people with different backgrounds to ensure the full participation of everyone in a way that achieves the benefits of diversity and minimizes or overcomes the challenges. The research mentions that to achieve that, it is vital to embed the embracement of diversity within the philosophy and culture of the organisation.

**Correlation of well-being and diversity**

Perhaps the well-being of employees can be associated with all the other functions of human resources. Establishing a good and fair human resource management system will eventually lead to the well-being of employees of different backgrounds. In turn, this increases productivity and leads to the well-being of the entire organisation. Dajnoki, Kőműves, Szabados & Bácsné Bába (2020), Berke, Schmidt & Kőműves (2021), Voorde, Peccci & Veldhoven (2013) describe three dimensions of the well-being of employees, which are happiness, health, and relationships. The research shows that improving the situation of these dimensions of the well-being of employees has a direct relationship with organizational performance.

As mentioned, all the other human resource management functions link to ensuring the well-being of the employees. However, the concept does not stop there, as the employees' inclusive behavior affects their well-being. Charlton, (2016) found a direct relationship between the well-being of the employees and ensuring their well-being. Furthermore, the research indicated that the well-being of employees also promotes their openness and inclusive behavior. Additionally, it was found that inclusive behavior and openness can result in higher flexibility in the behavior and more ability to change.

**CONCLUSIONS**

Promoting diversity in the organisations creates a better working environment for employees, which increases productivity, enhances loyalty, and reduces turnover intentions. This study focused on the functions of human resource management, their relationship with diversity management, and how promoting diversity management through human resources enhances the other functions of human resources. A literature review was conducted for establishing the main functions of human resources, and these functions were then reviewed, and the relationship between them and diversity management was identified.

The main functions of human resources were recruitment and selection, performance assessment, development of human resources, penalties and rewards, perception of employees, and well-being of employees. It was found that the main aspects of diversity are a diversity of age, gender, ethnicity, and religion. However, other aspects of diversity exist. Additionally, it was found that enhancing the diversity management of these aspects affected all the other identified human resource functions positively. It was found that establishing a suitable recruitment and selection system is a vital step for establishing diversity in the workplace. Additionally, it was found that fairness in the performance appraisal is a key factor in enhancing the quality of the working life in a diverse environment. Previous research works indicated that the diversity of a workplace generally enhances the performance of an organization. Finally, it was found that fairness in the development systems and the systems of penalties and rewards are vital for the success of organizations with a diverse workforce. For that purpose, it is recommended to promote diversity in the organisation through human resource management in a way that’s embedded within the system of the organisation, which ensures the well-being of the employees and increases the performance in the organisation.

Although this research presents clear evidence of the relationship between the function of diversity management and the other functions of human resources, it has certain limitations that can be extended in future research. First, the research is based on a qualitative analysis of reviewed literature. Future research can include quantitative studies that validate the results obtained in this research and show to what extent diversity management is affected by human resource management functions. Additionally, future research can be conducted to show the methods that can enhance the diversity of the workplace in a way that enhances the productivity and retention of human resources.

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REFERENCES


Table 1  
Reviewed aspects of workplace diversity

<table>
<thead>
<tr>
<th>Research Paper</th>
<th>Description</th>
<th>Aspects of workplace diversity</th>
<th>Journal</th>
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</table>
- Gender.  
- Ethnicity.  
- Cultural background.  
- Religion.  
- Physical abilities.  
- Gender.                                                                 | International Journal of Science Technology and Management                                    |
| Dastane & Eshegbe (2015)                | Elements of workplace diversity and how they affect the employee satisfaction in the hotel industry in Malaysia | - Age.  
- Gender.  
- Ethnicity.  
- Educational backgrounds.                                                                 | International Journal of Accounting, Business and Management                                |
- Race.  
- Gender.  
- Ethnicity.  
- Demographics.  
- Values and beliefs.                                                                 | Journal of Diversity Management                                                             |
| Saxena (2014)                           | Effect of workforce diversity on the productivity in organisations in India.                       | - Age.  
- Cultural background.  
- Physical abilities.  
- Ethnicity.  
- Religion.  
- Gender.  
- Sexual orientation.                                                                 | Procedia Economics and Finance                                                             |
- Gender.  
- Beliefs.                                                                                     | Social Science Research                                                                    |
- Ethnicity.  
- Gender.  
- Language.  
- Sexual orientation.  
- Religion.  
- Physical ability.  
- Political learnings.  
- Educational level                                                                  | The International Journal of Organizational Diversity                                      |

Source: Author’s editing
Aspects of diversity

- A systematic review is established to identify the most important aspects of diversity.

Functions of human resource management

- Six main functions of human resources management are identified in previous research (Noe et al., 2017).

Relationship with diversity management

- The relationship between each of the functions of human resource management and diversity management is established through a comprehensive review of previous literature.

Results

- A conclusion is derived about the relationship between the diversity management and the different other functions of human resource management.

Figure 1

The research roadmap

Source: Author's construction, 2021