

DIVERSITY MANAGEMENT – STILL UNDERRATED STRATEGY OF HUMAN RESOURCES MANAGEMENT IN MODERN ORGANIZATIONS

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Abstract

Nowadays the modern business world is searching for new solutions of improving its image, relations with various stakeholders or optimization of economic efficiency. Paradoxically, while implementing the written above objectives and basing on methods that do not lead to expected results, the advantages of new management strategies are not often recognized. The objective of the undertaken considerations included in the present paper is to show the strengths of the innovatory strategy – the Diversity Management.

Key words: benefits, business model, Diversity management, efficiency, strategy.

Introduction

„The diversity management is a topic that is becoming more and more popular in Poland nowadays. It is not a kind of a fad or a whim – it is a challenge that every company copes or will cope with soon. The diversity is a fact. Some organizations ignore it losing this way their business benefits that result from the diversity. Examples existing all over the world prove that nowadays we should not question whether the diversity is necessary to anyone; we should discuss how to use it effectively [...]. Striking is the fact that for many organizations the diversity management is only the element of their image. Not all companies are aware of all rational and economic advantages of the diversity management. The majority of companies, although they implement the diversity policy, do it accidentally and occasionally. They do not run the deepened analysis thanks to which it would be possible to identify the organization's needs and finally to respond to them” (Bochniarz 2013: 3). Respecting the diversity of the employed staff and not discriminating them in terms of their gender, age and disability, health, na-

tionality, gender identity, family status or life style – is one of the most important modern world ideas (Lipowicz 2013: 23).

A problem concerning the diversity management, on one hand, arouses a lot of interest among entrepreneurs, but on the other hand, it still remains a strategy that is questionable and often underrated. Employers very often start to realize that efficient organization management must take into consideration the fact of male and female staff diversity or diversity of male and female customers, suppliers and contractors. The diversity management is not the set of random activities, but it is the thought-out strategy assuming that a company development and its business objectives implementation will be efficient if different experiences and needs occurring in an organization and in its surrounding are noticed and used (Lisowska, Sznajder 2013: 6)¹.

1. Diversity management measurability of benefits

There exists an opinion that it counts what you can count. The diversity can bring benefits but they are difficult to count because in the accounting terms they are, first of all, perceived as expenses. It comes also to the time factor: results of the good diversity management programs are emerged after a certain period of time. The majority of companies implement measurement methods that take into account only „indirect results” such as the changes in demography, work force and staff’s attitudes and their level of satisfaction. The measurement is connected with obvious limitations. It is difficult to measure a simple, direct cause and effect relationship among the competitiveness increase, value creation, innovativeness and the diversity. For example, the contextual feature has many advantages. It means that this concerns a strategy or a market position of specific companies or this depends on national circumstances. Companies are different in respect of their size, strategies, sectors and a market position. Their strategies for diversity, expenses and benefits are also different. These strategies constitute only one of many factors that lead to the results improvement. The research institute - Institute of Personnel Development (CIPD) indicates at least four intervening variables that influence the diversity results:

- nature of staff objectives,
- corporation strategy,
- diversity and organizational context,

¹ Lisowska, E., Sznajder, A. (red.) (2013), Zarządzanie różnorodnością w miejscu pracy, Raport z I edycji barometru różnorodności – Publication prepared in the framework of the project „Diversity Index” co-financed from the EU funds in the framework of the European Social Fund.

- diversity and business context (CIPD 2006)².

The CIPD Institute emphasizes the importance of a valuation and a measurement in order to indicate that activities in the scope of the diversity “are in accordance with the company objectives”. Despite difficulties in finding the quantitative benefits of the diversity management for an organization, there are some remarks that have been determined.

2. Organization Diversity Management as an economic efficiency optimization tool

Despite more and more frequent discussions on the diversity and the diversity management, still the knowledge on the impact of other than gender diversity factors on the organization management process efficiency is very poor (Bell, Berry 2007: 21). It is the fact that differences resulting from the gender diversity still remain the key diversity criterion, although it is not the only one. This is just the beginning of a revolution, maybe a revolution in modelling the human resources management strategy.

Never before the international public opinion has been concentrated so much on the role of women in the economy and on the necessity of enabling women to take advantage of their full potential as it occurs nowadays. Their status as employees and leaders is recognized as a measure of health and company maturity as well as company capability to exist on the market. The Organization for Economic Cooperation and Development, OECD has declared that “*gender equality strengthens the long lasting economy growth*”. In 2007 this organization created the webpage devoted to the problem of gender. It focused on “the consequences of the gender inequality for the economic growth and on actions that should be undertaken in order to elaborate the gender equality strategy. In 2007 the World Bank implemented the action plan for the equality in the similar vein (Wittenberg-Cox, Maitland 2010: 28-29). WOMENOMICS is becoming a fact!!! This concept was used, among others, by Goldman Sachs, the leading investment bank that understood this concept as the potential of women –the factor guaranteeing the growth. This bank pays attention to the significant consequences that the liquidation of a gap between the man and women employment indicators would be for the world economy. This also would cause the rapid growth of the Gross Domestic Product in Europe, the United States and

² There is little evidence for the application of the measurement methodology in a form of a tool used to measure the diversity scorecard in European companies. The model of this tool elaborated by Hubbard (2004) includes six elements: financial results, broad partnership with clients/societies, employees profile, labor culture, leadership commitment in the scope of diversity, science and development (Albińska et al. 2012: 10).

Japan. Goldman Sachs ascertained that „encouraging the larger number of women to take up employment was the most important element of the euro zone labor market success in comparison to the conventional reforms implementation“ (Daly 2007: 15). Governments are expecting impatiently a solution to this problem that concerns constant women’s qualifications underestimation. Vladimir Spidla, the European Commissioner for Employment, Social Affairs and Equal Opportunities has noticed that since 2000 women have found employment in 6 million jobs created in the European Union and that these jobs represent more than 59% of the university graduates. „Women propel the growth of the workplaces number and they help us achieve economic goals – Spidla says. However, women face many barriers on the way to use their potential in full“. Even Angela Merkel – German Chancellor indicates the small representation of women in top employment positions. She claims that this situation should be improved in order to help Europe become the most dynamically growing world economy. In Great Britain the appointed by the government commission for women and employment has prepared the report which implies that a nation can acquire 23 billion pounds or can increase the GDP by 2% thanks to better usage of women skills. „Many women work below their qualifications. This waste of talents causes the indignation in the whole country, especially in the situation when the United Kingdom faces the fierce global competition“- Margaret Prosser, baroness and the commission head warns (Wittenberg-Cox, Maitland 2008: 30). More often the disseminated research results indicate that the equality and diversity in an organization correlate with its profitability. The long-term research run by Roy Adler from the Pepperdine University in USA has shown the relation between the women’s presence on managerial positions and the profitability in short and long periods (Adler 2001: 30). Comprehensive, having been run for 19 years studies that have researched 215 companies included in the „Fortune 500“ ranking have proved the existence of a strong correlation between a high percentage of women’s promotion to managerial positions and a high profitability of their organizations. Measuring this profitability by means of three methods – different industries implement various ways of profitability calculation – (profit as a percentage of income, profit as a percentage of assets, profits as a percentage of the own capital), it was indicated that every year the „Fortune 500“ listed 25 companies, which had the highest women representation on managerial positions, achieved bigger profits, from 18% to 69% in comparison to the „Fortune 500“ median companies from the same industry. The next research results were published by the CATALYST which on a global scale cooperated with companies and traders in the scope of creating common environments and enlarging women’s opportunities in business.

In 2004 the Catalyst presented the research titled „*The Bottom Line: Connecting Corporate Performance and Gender Diversity*” which was sponsored by the Financial Group BMO. In the course of the research the Catalyst analyzed the five-year data concerning the 353 out of 500 companies listed in the *Fortune* magazine. The research aimed at finding a connection between the gender diversity and company financial results. Companies employing the biggest number of women in management teams achieved better financial results than companies where the number of women was smaller. These conclusions concerned both analyzed criteria: return on shareholders’ equity that appeared to be higher by 35% and total shareholders’ profit that was higher by 34%. In the case of each of five analyzed industries, companies with the biggest number of women employed in management teams achieved higher return on shareholders’ capital than companies with the smallest number of women. In four out of five industries, companies with the biggest number of women employed in management teams achieved higher total shareholders’ profit than companies with the smallest number of women (Catalyst 2004: 34). Interesting observations come from the research result analysis run by McKinsey. First he used his diagnostic tool (profile of company efficiency) to measure organizational excellence taking into account nine criteria: management, course, responsibility, control, innovation, orientation, potential, motivation, work environment and values. With the help of this tool, McKinsey’s experts studied valuations of 115.000 employees of 231 state and private companies as well as non-profit organizations. They demonstrated correlation between the level of company excellence in relation to nine organizational dimensions and companies’ financial results. The companies that occupied the highest positions, taking into account those organizational criteria, were generally characterized by twice higher operational margins and market capitalization than companies occupying lower positions. Next, 101 companies that published the composition of governing bodies were chosen. These were mainly large corporations in Europe, America and Asia and they included a broad spectrum of industries from energy to distribution and financial institutions. Experts analyzed surveys of 58.240 respondents and next they compared the companies’ results taking into consideration the number of women belonging to the companies’ senior management. It turned out that „companies with three or bigger number of women belonging to the senior management achieved better results in organizational criteria than companies where these positions were entrusted to men exclusively“. Indeed, the results were much better in companies where the management of about ten members consisted of at least three women. In the second stage it was examined whether the companies where the top positions were delegated to women

also achieved better financial results. For this purpose and with the cooperation of the Amazone Euro Fund, the following research was run. 89 European companies listed on the Stock Exchange were chosen. They were characterized by the greater variety of membership on the top managerial positions. These companies were chosen among all European companies that were listed on the Stock Exchange and whose market capitalization amounted more than 150 million euros. The following criteria were taken into account: a number and a percentage of women belonging to the Executive Committee, their status (a General Director or a Financial Director whose opinion is more important while making decisions concerning a company than an opinion of a Manager for Communication) as well as, in less extent, the presence of two or a larger number of women in a company management or statistics concerning gender diversity that was delivered in an annual report. Next McKinsley analyzed the financial results of those companies relatively to the average of the sector they belong to. There was no doubt that these companies generally achieved better results than the rest of the companies of their sector in respect of: the return on equity (11,4% vs. on average 10,3%), results of operational actions (EBIT 11,1% vs. 5,8%) and the increase of a share price (64% vs. 47% in the period of 2005-2007). This crucial, from the statistical point of view, research showed that companies with a larger percentage of women in a company management achieved better results. Despite the fact that the research did not demonstrate a causal relationship, it gave us the actual picture that was the argument for larger gender diversity (EC 2008: 13)³. Nowadays, the world economy and politics key players underline the importance of women as key economic entities. The role of women and their status as citizens, consumers, leaders and employees are indicators of prosperity, maturity and profitability. A lot of economists assume that women are one of the three nascent forces that shape the XXI century, three times “W”: “Weather, Women and Web” (Wittenberg-COX, Maitland 2008: 45). State companies and institutions favoring one gender give up the potential that exists in diversity. They give the impression of not taking advantage of the half of the accessible resources. Economic indicators are the objectives but it is worth analyzing what is on the way to achieve them (Wziątek-Staśko 2012).

³ On the basis of the report: „Przełam stereotypy związane z płcią. Daj szansę talentowi”, 2008, p. 13, Set of tools for advisors and managers for human resources in MSP. Materials prepared by Międzynarodowe Centrum Szkoleniowe MOP in cooperation with Stowarzyszenie Europejskich Izb Przemysłowo-Handlowych (EUROCHAMBRES) in the framework of the agreement „Uświadamianie firmom potrzeby zwalczania stereotypów związanych z płcią” commissioned of the European Commission, Dyrekcji Generalnej ds. Zatrudnienia, Spraw Społecznych i Równości Szans. The publication is financed in the framework of the European Union project on employment and social solidarity, (2007-2013).

3. Diversity management in Polish companies – on the basis of the Diversity Index

In order to be convinced whether and in what way Polish companies take advantage of their staff diversity potential, the Leviatan Confederation had run the Diversity Barometer – the first nationwide companies research conducted by means of the indicator – the Diversity Index. The indicator was used to prepare a complex analysis of a company diversity management. In the initial period of the project realization (2011), the quantitative studies were conducted. The studies had to determine how Polish companies understood the diversity management as well as what actions were undertaken in this field by these companies. The studies were conducted by means of the method of individual telephone surveys. The group of 800 large and medium companies was researched on the territory of Poland. The surveys were held with male and female representatives of the management, with employees responsible for the company recruitment process or with indicated people from the HR Department. The research results have delivered interesting conclusions.

The research has shown that almost 2/3 of companies in Poland have experienced the approach to the human resources management described as “the diversity management”. People who participated in the studies agreed with the statement that the diversity management consisted of company strategic operations aiming at creating an employees’ team that was diversified in terms of gender, age, level of efficiency or cultural origin. They also confirmed that the diversity management ensured the equal treatment in a workplace for all male and female employees taking into consideration their various needs and differences in order to achieve business goals. Understanding the concept of “the diversity management” was often indicated by large companies (69%), rather than by medium ones (62%). However this declaration was not equal to the operations undertaken by companies in this respect. Only 21% of companies confirmed that solutions in the scope of the diversity management in the workplace were implemented. More often the implementation of particular actions was reported by large companies (28%), rather than medium ones (20%). The most often indicated solutions concerned: the management staff development, unbiased recruitment of male and female employees, flexible working time and young parents support. Only 19% of companies participating in the studies declared that the diversity management problems were regulated by the internal document. The separate strategy on the diversity management was possessed only by 2% of companies. Other solutions referring to specific guidelines concerning the diversity management were included in the code of ethics

(8%), or other company strategic documents (9%). Organizations that possessed internal regulations concerning the diversity management declared additionally that the diversity management often referred to the age (77%) and gender (63%). Much less frequently it referred to a disability (35%), religious faith (20%) or belonging to religious minorities (18%). Companies implemented the “friendly solutions for specific social groups” in a limited way. As an example, most of the companies lacked special places adapted for specific needs employees: 90% of companies did not have workplaces for people with disabilities or people on wheelchairs, 97% of companies did not have workplaces for blind people, 89% of companies did not have workplaces for deaf people. The studies’ results confirmed also that in the Polish business there are still present stereotypes concerning gender and that there are cases of unequal treatment in terms of gender. On one hand, people participating in the research ascertained that the diversified staff team with reference to gender (a team consisting of man and women) still have had opportunities to reach better results, rather than the homogenous team – consisting of only women (50% of answers). On the other hand, in the case of a question comparing the results obtained by a diversified team with results obtained by a team consisting of only men, the opinion on the superiority of the diversified team was shared only by 34% of people who participated in the research. Men constituted the majority among the employed people in the case of 76% of researched companies. Men also dominated among the management staff (82% of companies), whereas the majority of women occupying the company top positions occurred only in 10% of companies. The equal representation of gender was observed in 8% of researched companies. Only 7% of companies (14% large and 5% medium companies) declared that they monitored the process of man and women remuneration. Companies that were monitoring this process often indicated that the diversification concerning the gender diversity did not exist (totally 57%, 73% large companies 50% medium companies). Researched companies were also asked about the problems of the equal treatment in a workplace. On the basis of obtained answers it was possible to state that the vast majority of companies (83%) informed the male and female employees about the prohibition of discrimination in a workplace, including the prohibition of sexual harassment. A very small percentage of companies possessed the appointed person or a special unit that would run intervention functions in cases of discrimination in a workplace (totally 17%, 31% large companies 15% medium companies). Companies that participated in the research generally agreed with the statement that equal treatment in a workplace affected the results obtained by a company. People who participated in the research noticed that advantages resulting from the implementation of the diversity management policy

such as: better company image and reputation. Less frequently they indicated the benefits connected with obtaining talented workers, innovative ideas, different points of view or obtaining the position of a market leader (Lisowska, Sznajder 2013: 7-9).

Summary

Presented above research results constitute only a tiny fraction of reach facto graphical material devoted to practical implementation of HR strategy innovative theoretical assumptions in an organization – Diversity management. For many years this concept known in the United States (it has its roots there), Canada and in countries of Western Europe still has been arousing limited interest among Polish entrepreneurs. Even if those people, who are more open for innovations in the personnel process, undertake the labors of implementing this new concept, they do it rather awkwardly. The key question arising on the basis of the written above conclusion is connected with the reason of such a situation. Does the lack of competences or the lack of reliable knowledge on the methodology of implementing the Diversity management, the deficit of trust to the new solution, the lack of beliefs in the benefits for an organization, insufficient advertising of good practices or maybe other reasons decide on the lack of professionalism? Irrespectively of all, it is worth being familiar with the assumptions of the Diversity management, Diversity Index or Diversity Charter. The knowledge of this issue can become a real tool of the effectiveness optimization in the management process in the time of modern business new challenges.

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