Chapter 10 Review questions and answers

1. Whilst not all business organizations will have a diverse workforce, multinationals invariably do. Why is this?

Some organizations appear to have a homogeneous workforce, in that they employ people who on the surface display few individual differences. For example, a British manufacturing company might follow the tradition of its industry in employing white, working class males, who share similar attitudes and a common local culture.

By contrast, an international business organization that operates in several countries will employ Host Country as well as Parent Country Nationals. This means its global workforce is likely to be more heterogeneous, i.e. diverse. Differences in nationality, culture, and ethnicity, are to be expected.

However, a more subtle appreciation of ‘diversity’ enables us to see that, in general, all organizations will employ individuals who have ‘unique’ qualities – in terms of personality, family background, and beliefs. This is in addition to the more overt and noticeable dimensions of race, gender, age, and physical abilities.

2. What are the potential business benefits that have been attributed to those multinational organizations that value and actively encourage workforce diversity?

There are claims made on empirical grounds that successful diversity management is positively correlated with improvements in organizational performance. Patrick and Kumar (2012: 1) suggest that this is because, ‘Diversity management is a process intended to create and maintain a positive work environment where the similarities and differences of individuals are valued, so that all can reach their potential and maximize their contributions to an organization’s strategic goals and objectives.’

They add that the biggest driver for companies to pursue a diversity strategy is the ‘need to tap the creative, cultural and communicative skills of a variety of employees and to use those skills to improve company policies, products, and customer experiences’ (2012:2). This business motive relies upon a view that a diverse group’s
potential for creative and innovative ideas will exceed that of a group whose members share similar characteristics.

For MNEs in particular this will include nurturing multicultural teams and having a top management line-up that is international in composition. However, one must not ignore the potential difficulties posed by working in groups that are highly diverse, especially when they are newly formed.

In this chapter other potential benefits are noted, such as acquiring staff from a wider pool of talent. This enhances the quality and calibre of candidates available to the MNE and also provides a workforce that is more representative of – and better able to serve - demographically diverse customers.

Reference


(online at http://sgo.sagepub.com/content/2/2/2158244012444615) Accessed 15th November 2012.

3. Under what circumstances might a multinational company practise ‘Discriminatory Management’ in its treatment of employees in order to promote its business interests?

In managing employee differences (diversity), an MNE is said to practise discriminatory policies and practices when it favours one group over others. Typically, such decisions are portrayed as the outcome of what is considered ‘best for the business.’ As such they are not necessarily viewed as unfair to employees by those making these decisions, even though they entail discriminatory treatment against a particular group. For example, it might adopt an ethnocentric approach and choose Parent Country Nationals to head up its subsidiaries. Alternatively, a polycentric approach would see the company favouring Host Country Nationals and appointing them to run its overseas operations.

However, there will be situations where deliberate discriminatory behaviour against certain categories of worker results from management’s prejudice or cultural bias. For example, management posts being given to only expatriate staff could be based upon an inherent distrust or disregard of local staff.
Similarly, an imbalance between the proportion of men and women in key posts might have less to do with rational thinking than unfair gender discrimination. Yet charges of overt unfairness and intolerance of employee diversity might not be acknowledged by those concerned, who might also justify such actions as based on impartial criteria and in the best interests of the company.

However, it is possible that deliberate discrimination by MNEs could be the result of rational thinking. For example, unsentimental business logic will favour a particular group because only they will have the technical or organizational competences required. Additionally, the homogeneity of a workforce might actually be advantageous to their work performance, in terms of ease of communication and sharing of know-how on key tasks. Finally, homogeneity might be seen as being more cost effective than dealing with a workforce that is characterized by ethnic, cultural, and linguistic differences.

4. In what sense does a multinational organization’s ‘Equality Management’ approach emphasize the prevention of unfair discrimination against its employees?

Where unfairness and inequitable treatment of staff are identified as issues to be addressed, those who manage an MNE might seek to achieve equality of treatment and a balanced representation between categories of employees by following an ‘equal employment opportunity’ philosophy. This will translate into Equality Management (EM) initiatives, which are introduced to tackle practices construed as unfairly discriminatory and to rectify any imbalance in, for example, the proportion of men and women in key jobs.

In short, EM measures are intended to promote equal employment opportunities and to eradicate unfair discrimination and treatment dealt out to minority groups, which lack power and influence in the company. As such, EM is promoted in many countries by employment laws, which are aimed at preventing unfair discrimination against people on the non-meritocratic grounds of gender, age, religious belief, disability, and ethnic or racial heritage.
In so doing, EM is designed to help redress the disadvantages experienced by minority groups. This counts as a social justice reason. At the same time an EM initiative might widen the pool of talent made available to the MNE and help it appoint the best qualified candidates for each job. This is considered a business reason.

In summary, Equality Management is designed to avoid unfair disadvantage against specific groups (for example, women; an ethnic minority) and to promote equality of status and opportunities, bolstered by compliance with employment laws and company rules that forbid discriminatory behaviour. In one sense, therefore, EM tends to emphasize similarity, since it groups people together in relation to a characteristic that they share, such as ethnicity, nationality, or gender. It is also concerned with sameness in that the need to right the wrongs suffered by various categories of people implies a move towards making employees the same.

5. What can a multinational organization do to successfully implement a ‘Diversity Management’ approach that aims to promote and harness individual differences amongst employees?

A starting point is usually the commitment of an MNE’s senior management team to implementing policies and practices designed to achieve ‘diversity and inclusion’ globally. The MNE must also appoint people to deliver Diversity Management. They should have the authority and dedication to invest in key resources, including money, time, knowledge, and organizational expertise.

There should also be a realization that simple statements and procedures on diversity and inclusion are unlikely to be sufficient to turn sceptical managers and staff, representing many nationalities and cultural traditions, into active supporters and campaigners for an open-mindedness towards diversity, which is intended to set free workers’ contributions to greater business success. To this end, the MNE can strive to communicate, educate, and win over its employees by adopting some of the methods for managing diversity outlined in the chapter.

At the same time, however, the MNE may need to increase the numerical representation of historically excluded groups, by targeting underrepresented groups when recruiting. This helps create a diverse workforce, but the MNE also needs (in relation to Equality Management) to monitor the equity and fairness of its hiring,
promotion, and pay decisions, as well as evaluating its achievements on the zero-tolerance of harassment and discrimination.

Thereafter, Diversity Management ‘strategies’ can be called into action in order to encourage workers to participate fully in organizational decision making and be included in every aspect of organizational life. As mentioned in the chapter, these complementary methods include:

- Formal and informal mentoring programmes to help minority groups.

- A cultural change programme that promotes the importance of diversity in the organization, which can be sustained through: frequent communication; awareness training for all staff; performance evaluation of managers’ achievement of diversity goals; and surveys of employee attitudes towards aspects of diversity.

- Creation of diverse teams to benefit from their contributions to problem-solving and innovation. These teams will need to be trained, fully resourced, and ideally subject to team-based recognition and rewards for successful contributions.

- Cross-cultural, skill-building opportunities, including developmental assignments that expose employees to multiple cultures.

- Finally, the company can enhance its reputation as an employer by advertising its approach to diversity through a variety of channels, including its website and targeted media.

6. Thinking of what we mean by ‘Discriminatory Management’, ‘Equality Management’ and ‘Diversity Management’, respectively, which of these organizational approaches is a) tolerant b) intolerant and c) appreciative of workforce diversity?

Figure 10.1 shows how Discriminatory Management, generally speaking, tends to be b) intolerant of there being a diverse workforce. In favouring certain categories of people it tends to produce a more uniform or identical group of employees in the
organization. This fits well with its preference for management’s version of a conformist, conventional, organizational culture.

Where an organization is more a) tolerant of workforce diversity, its management may seek to increase the presence of minority groups. The most likely approach is through Equality Management, which strives to combat the unfair treatment and exclusion of certain categories of employee by adopting equal employment opportunity policies and practices. However, because this approach lays emphasis upon achieving equivalence and ‘sameness’ between various categories of employees, its advocates will not pay as much attention to differences between individuals.

This is in contrast to Diversity Management, which is defined by an organizational culture where individual differences are both recognized and c) actively appreciated. Consequently, management can more easily promote the value of having a truly diverse workforce, which treats all staff on merit, embraces their differences, and aims to secure the inclusion of all its employees.

7. Why might an MNE’s efforts to implement Equality Management and/or Diversity Management policies and practices in its overseas subsidiary be met by resistance by those affected?

Rather than accepting the value of employee differences and their role in the success of the organization, staff in the host country might consider the transfer of a DM initiative to their subsidiary as an imposition of the MNE’s own national or corporate value system. The corporate definition as to what is ‘fair’ and ‘unfair’ treatment of employees might not be accepted elsewhere. One reason is that the rationale for DM has its origins in the United States and tends to promote a western version of ethical behaviour, which may run counter to the employment culture and institutions of the host country.

It is this degree of disparity between societies that raises serious doubts as to whether MNEs can standardize and successfully transfer EM initiatives globally. Moreover, obstacles to tackling inequalities can also arise from within the MNE itself. The organization’s own managers may well hold discriminatory attitudes and practise discriminatory behaviour, which they may believe to be entirely correct and proper.
Consequently, the intended / required adoption of a geocentric approach through DM policies and practices can be interpreted—by those on the receiving end—as the ethnocentric implementation (even imposition) of a parent company’s directives or instructions. For example, an MNE’s insistence on equal treatment regardless of a person’s age, gender, religion, disability, or nationality etc. may be at odds with a particular country’s traditions and even laws, which uphold the correctness, normality, and morality, of certain inequalities.

Applying this to Figure 10.1, local managers and staff may be more unaccustomed to acting, not necessarily consciously, in a discriminatory way and be quite intolerant of certain features of employee diversity. Appeals or perhaps requirements to show open-mindedness to others’ differences may not be well received. Thus, the likelihood of a multinational successfully transferring its home country version of EM (or DM) to an overseas subsidiary is open to question.

Hence, in such circumstances it will not be easy for an American or western European corporate headquarters to insist on the same degree of compliance in its Arab, Chinese, or African subsidiaries as it might expect in its home country, where anti-discrimination interventions on the grounds of race or ethnicity may be significantly more robust.

The above point was developed in the chapter in relation to homosexuality. Organizations in the United States and Europe, for example, need to comply with legislation that makes discrimination on the grounds of sexual orientation illegal. By contrast, in nations like Nigeria it is homosexuality that is illegal.

In essence, when an MNE transfers its ideas of a diverse workforce to a country that is less sympathetic to such a notion, it is seeking to create an organizational oasis within a potentially inhospitable, unreceptive, even hostile, environment. From this perspective, the ideal outcome would be that, whatever the situation outside the organization, a subsidiary’s workforce is a representative one, avoiding unfair disadvantage against specific groups (EM). Its employees should also be able to act in accordance with notions of valuing the distinctive qualities of individuals (DM).

In summary, an MNE can face cultural and structural barriers to its plans and programmes for organizational Diversity Management, from within the host society and its own workplace. Thus, an MNE might at best secure only surface level changes, in that it may fail to produce the necessary changes in the individual attitudes and behaviours of its staff.
8. In what way is an ethnocentric approach that favours parent country nationals over local employees a form of ‘Discriminatory Management’?

Ethnocentrism is characterized by a tendency to regard one’s own group, culture or nation as superior to those of others. It may not be a conscious perspective, but it is one that can be readily identified. In discussions of MNEs this concept figures most significantly in explanations of decisions made by headquarters’ staff who consider their ‘home country’ ways of operating and managing as being more advanced and better than those to be found in their ‘host country’ business units. It follows, then, that as its pattern of behaviour towards its subsidiaries and their staff, the MNE might choose Discriminatory Management, favouring one group, its Parent Country Nationals, over others, notably its Host Country employees.

These attitudes and behaviour are regarded as symptomatic of an ethnocentric predisposition, which might easily be linked to aspects of prejudice, the use of stereotypes, and discrimination, including harassment, towards less favoured groups. In simple terms, PCNs will be perceived as members of the ‘in-group’ by those at head office and appointed to key international posts. HCNs, on the other hand, are considered members of the ‘out-group’. This consigns them to inferior opportunities in serving their employer.

In IHRM literature in general, such an outlook is implicitly criticised. In the context of Diversity Management, the ethnocentric perspective is regarded as an obstacle to gaining the full contribution of all members of the workforce. Hence, it runs counter to the philosophy espoused by Diversity Management.

9. In what way is an MNE’s use of ‘Diversity Management’ strengthened by its employing a geocentric approach to human resource management?

In subscribing to a diversity philosophy, all members of an organization’s workforce should see each other first and foremost as human beings who possess distinctive qualities that should be recognised ‘on merit’, irrespective of gender, age, nationality, culture, and other specified characteristics.
As a consequence, international organizations that practise Diversity Management might be expected to adopt a geocentric approach to human resource management. A geocentric orientation does not differentiate between employees on the basis of their nationality or culture. It is the organizational culture of the MNE globally that matters most - and an individual’s specific qualities and contributions to that MNE. Thus, when it comes to making decisions of who to appoint to key positions, national cultures per se are of no great significance. Yet, since organizational diversity is considered paramount in a geocentric perspective, we can expect the MNE to advocate and champion values of sensitivity to its stakeholders’ different cultures, including those of its employees.

Ultimately, arguments in favour of diversity are sustained by a business case, but one that appreciates the value of gathering together a multiplicity of employees’ distinctive contributions. However, it is the tolerance and openness of the ‘geocentric mind-set’ that provides a philosophical and ethical support to international Diversity Management.

Moreover, for the DM approach to have credibility across the organization, the MNE can be expected to nurture multicultural teams and to have a top management line-up that is international in composition. These set a practical example and send a message that Diversity Management is more than a proclamation of policy emanating from corporate headquarters.

10. To what extent does an MNE’s management of its workforce’s diversity require a combination of EM and DM approaches in order for it to be effective?

If Diversity Management overlooks the role of Equality Management in tackling the organization’s inequalities (for example of gender, nationality, and ethnicity), it is unlikely to deliver a truly diverse workforce. This can be illustrated by taking - as a hypothetical example - an organization that is made up of only one group, for example women. If this organization’s ‘Diversity and Inclusion’ practices are little more than simply ‘respecting and valuing individual differences’, then they are never going to achieve a diverse workforce, which is meant to contribute more effectively to the business.
In other words, the ethos of diversity and celebrating differences are of limited added value if the composition of the organization’s human resources remains fundamentally unchanged. This is why the model depicted in Figure 10.1 conveys the essential progression from Discriminatory Management towards Diversity Management.

Whereas Equality Management seeks to combat the negativity and unfairness of Discriminatory Management against underprivileged groups, Diversity Management can only succeed in achieving a diverse workforce (through its more inclusive and meritocratic policies) if it builds upon the foundations established by Equality Management. The logic is, therefore, that an MNE’s management of its workforce’s diversity requires a combination of EM and DM approaches in order for it to be effective.