

Diversity Management as a Competitive Advantage Source of the Successful Company

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Abstract: *Diversity is an integral part of corporate culture and an essential for competitiveness of company in global environment. It is no longer just about awareness, but diversity has to be treated authentically within the company. In today's new workplace is diversity management an integral part of the corporate culture and an imperative for the success of company. Diverse employee base can offer much broader range of new approaches and perspectives. Each employee brings to the enterprise several dimensions of diversity - diverse backgrounds, gender, characteristics, skills and experiences. It is needed to use soft edges of diversity for recognizing and managing differences. Diverse employees have a different character which affects their behavior and the way how they act, what is acceptable or what has a higher priority for them. Diversity factor at visible and invisible dimension as a part of corporate culture has power to stimulate and form strong culture within each enterprise. Ability to recognize and understand diversity in cross-cultural situation supports growth and success of company from global perspective.*

Key words: *diversity; dimensions of diversity; benefits of diversity; company performance*

JEL Classification: *M1 Business, M14 Administration Corporate Culture • Diversity • Social Responsibility*

1. Theoretical sources – Diversity as a part of corporate culture

Corporate culture has been defined many times by many authors. Between some of them there are slight differences, some of those definitions using different wording but expressing the same meaning. In the pool of innumerable corporate culture definitions we can find one common trait. Corporate culture is unique. Each enterprise has an own corporate culture. This culture is matchless and we can say that it represents the DNA of the company. Corporate culture is made up of people and it has a social character. Each employee is different and carries own diverse. The basic component of the social system in each company is the employee whose diversity (behavior, thoughts, beliefs and own core values) influence the company- corporate culture and its performance. Corporate culture represents according to Needle (2004) the collective values, beliefs and principles of company members. Culture of each enterprise is shaped by history, product, market, technology, strategy, leadership style, and we should not forget an impact of a national culture. In the Lewis's book (2006) it is well described raising of the child and the child dependence on the parents based on differences in the cultures. Related to his explanation and comparison of different cultures we can liken relationship of employee to the company. We might compare corporate culture with parents' role. Corporate culture as "a parent" clearly defines for an employee as "a child" what is

acceptable and what is not, what is right and what is wrong. It defines core values, basic rules for behavior. This help employees to identify themselves with an organization, affects the way they interact with each other, within or across departments, with business partners and customers. The influence of diversity has an impact on corporate culture set up and the run of the business.

2. Dimensions of diversity & diversity management

Diversity management, a part of human resource management, involves the recognition, effective deployment and harmonization of individual employee singularity. Successful diversity management helps managers to maximize employee's knowledge and expertise to better achieve organizational objectives (Allen, 2004). We can divide elements of diversity into the two groups (fig.1 below):

- **Visible elements** – express character of the human which is recognizable by external environment as well. We can include here all elements as clothes, race, gender, age etc.
- **Invisible elements** – represent all elements which are hidden under the “surface” as values, attitudes, behavior, background, skills, education, communication style and others.

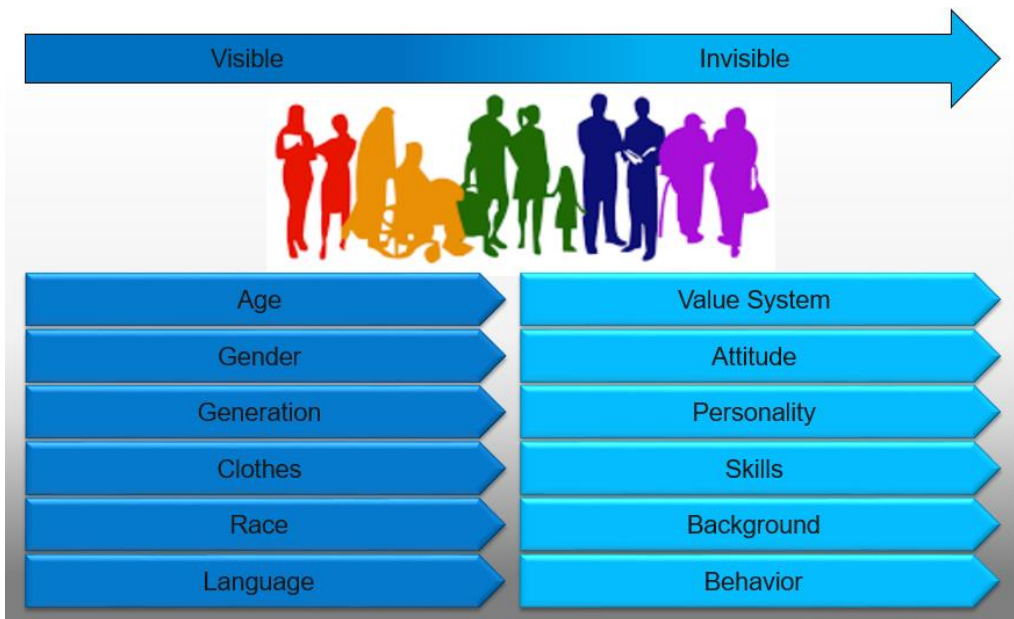


Fig.1 Visible and invisible dimensions of diversity (own source, 2018)

Dimensions of diversity help us to differentiate a range of visible and non-visible differences that exist between groups or people working in the company. There are more options how to describe diversity. People from different cultures share basic concepts, values but view them from different perspectives. Geert Hofstede (2010) defined diverse culture as “the collective programming of the mind that distinguishes the members of one category of people from another.” The key expression in this definition is collective programming. Each employee as an individual has specific mindset. All employees create the culture in enterprise and let corporate culture to influence them. Diversity can be viewed from many variable angles. It applies to whole package of the human being aspects - age, race, sex, religion, opinions, background, nationality etc. We can observe some specific various types of diversity

within a company as e.g. positions, gender, leadership styles, behavior, experiences and skills. Those diverse factors have a broader differential by national comparison. According Hofstede's research 80 percent of the differences in employee's attitudes and behaviors are influenced by national culture.

There is definitely a global trend in business from worldwide perspective that culture is moving on the top position of the agenda as a major challenge for success. In shaping the corporate culture is imperative to respect the relevant laws and principles. We can describe briefly some important and major areas of cultural differences:

- **Values** – people from different regions have different national characteristics which affect their core beliefs, influence attitudes and a world view
- **Communication** – People around the world are using different speech styles and have different listening habits too. The most visible aspect of culture. Low-context cultures - the message is conveyed by the words used. High-context cultures - words convey only a limited part of the message
- **Time concept** - the same sentence has different meaning, e.g. "Meeting starts at 10:00" – for German it means that he/she needs to attend this session and be in the room prior the meeting start. For Italian it means that he/she is at 10:15 in cafeteria to take a coffee and be in the meeting room at 10:25.
- **Space concept** - personal space has different dimensions across different cultures. We can demonstrate it on the example of greetings. Some cultures prefer shaking hands, some hugging, some prefer just eye contact instead of personal contact.

Diversity management is held by leaders. The leaders are those who advocate and can successfully manage diversity. Knowing how to manage diversity means knowing how to manage differences. There are some basic rules for managing diversity:

- Tolerating differences
- Accepting differences
- Equal treatment of everybody
- Avoiding conflicts or difficulties arise from differences.

The world, markets, consumer demands are undergoing rapid changes. Power of multiple perspectives is a catalyst for innovation. Diversity elements determinate new approach to master new dynamic business.

3. Benefits of diversity in company

There are many benefits of having a diversity at the workplace. People bring to the work environment a lot of differences related to diversity: race, gender, sexual orientation, religion, age, background (educational, economical), experience, knowledge, way of thinking and communication styles (Fig.2).

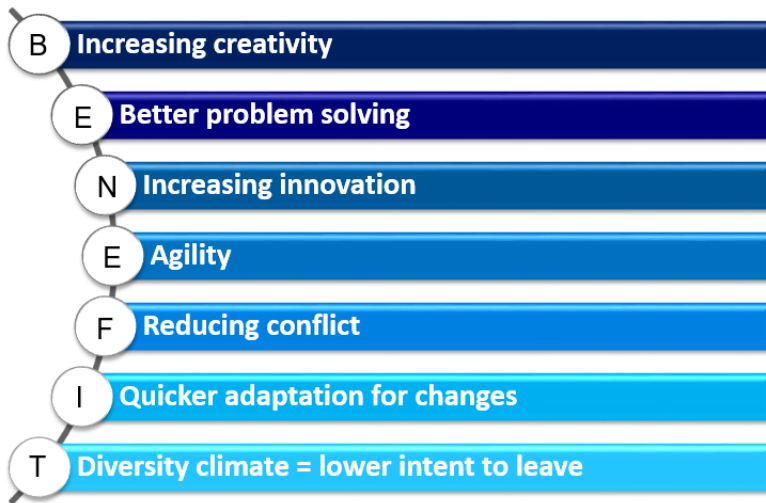


Fig.2 Benefits of diversity (own source, 2018)

There are more benefits to having diversity in the workplace listed below (McKinsey, 2018):

- Employees from diverse backgrounds imbue organizations with creative new ideas and perspectives informed by their cultural experiences
- A diverse workplace will help organizations better understand target demographics and what moves them
- A diverse workplace can better align an organization’s culture with the demographic make-up of America
- Increased customer satisfaction by improving how employees interact with a diverse clientele and public

4. Correlation between diversity and company performance

Racial diversity also is found to have a positive impact on growth and business performance. Diversity strategies need to be designed to support business objectives and strategies to add real value to company performance.

McKinsey run in 2015 research to examine an additional financial performance measure in relation with diversity. The team of McKinsey & Company explores not only *whether* and *where* in the organization diversity matters, but also *how* companies can put it to work in pursuit of their business goals. Their latest research improves the understanding and global relevance of the correlation between diversity and company financial performance (Fig.3.). The research is based on a larger data set of over 1,000 companies covering 12 countries and using two measures of financial performance – profitability (measured as average EBIT margin) and value creation (measured as economic profit margin). A study found that a racially diverse workforce was positively associated with more customers, increased sales revenue, greater relative profits, and greater market share. The study also examined gender diversity and found it to be positively associated with increased sales revenue, more customers, and greater relative profits. McKinsey measured the “organizational excellence” of companies in Europe, North America, and Asia by evaluating them on nine organizational criteria.

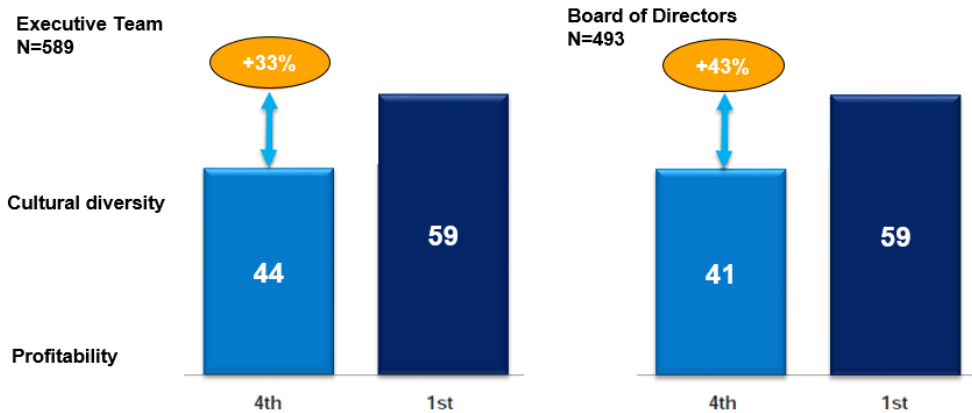


Fig.3 Correlation between diversity and company performance (McKinsey, 2018)

The cultural diversity’s correlation with outperformance on profitability was also statistically significant at board level. It has been found that companies with the most culturally diverse boards worldwide are 43% more likely to experience higher profits. Positive correlation between ethnic/cultural diversity and value creation at both the executive team and board levels has been detected as well (McKinsey, 2018).

Cultural diversity on executive teams continues to correlate strongly with company financial performance support the argument that there is value in promoting cultural diversity in company top teams around the world. For companies, addressing the challenge of building an inclusive company culture across cultural differences could significantly strengthen organizational effectiveness. Cultural diversity at the highest levels of leadership in the company could serve as a signal to employees and other stakeholders that the organization truly understands and values the community and customers that they serve.

Conclusion

The corporate culture represents social system which consists of people and therefore must be seen each enterprise as a social alive system. The essence required for this system in the enterprise is built from diverse employees who are unique. Their specific behavior, thoughts, beliefs, values influence and form corporate culture. All elements of diversity shape business and power of company.

From global perspective has diversity intelligence an important role, supports business success and strengthen corporate culture. In case employees understand defined strategy and diversity management, follow the vision and respect values of the enterprise they feel involved, respected, connected with corporate culture. Factor just like diversity imports to the business competitive edge – influences performance and success of the enterprise in the global market.

Diversity can maximize the effectiveness of teamwork and represents the way forward. It is a task of leaders to encourage and to make diversity authentic for their employees. Diversity has to be visible at different levels of the organization. If the diversity is managed successfully it has a competitive advantage for the company at global market in terms of differentiation, innovation. Increase in diversity has positive impact on performance and employer branding of the company. Diversity management shapes success of the company and represents competitive advantage at global market.

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