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Diversity management as a business model

Introduction

Diversity means a process of management (including communication) consisting in active and aware, directed towards the future development of a value based organization. Its basis comprises the acceptance of the existing differences and treating them as a developmental potential. Viewing business throughout diversity is not accidental; it derives from particular tendencies in economy towards, i.a.:

- increasing the share of employed women, ethnic minorities, immigrants, elderly people
- establishing (creation) of new groups of consumers and customers (new challenges) – growing diversification of the consumers' needs requires more creative strategies targeted at keeping them, as well as more innovative products; processes, products and services must be adjusted to these specific needs
- more varied labour force may influence better effectiveness of the company, it may facilitate achieving its objectives, rise morale, increase access to new market segments, increase productivity.

Development of the concept of diversity management goes back to the seventies when the word “diversity” referred to minorities and women perceived as groups of employees. For a long time, the managers believed that diversity in the workplace means increasing proportion of gender, national and ethnic minorities representation, as well as employment of these groups. The first amendments to the US Constitution in this field were adopted in the USA in 1974 and 1975. New legislature forbidding any discrimination based on race, ethnic origins, religion, disability or sexual orientation (Article 13 of the European Communities Treaty) was also introduced in the European Union.

Diversity is therefore connected not only to gender, but also to other differences, which may constitute the base of exclusion such as: age, fitness (physical condition), race, appearances, income diversity, place

of residence, sexual orientation, having children, etc. However, the most widely discussed in Poland is discrimination against women in employment. One of the main factors that indicate the significance of this problem is the difference in wages and salaries between women and men. According to the Community studies, the pay gap in Poland is lower than in the European Union and amounts to 10% (in the EU – 17%), however in some groups the gap reaches 30%¹.

Stereotypes in the societies characterized with a low level of trust and openness, among which Poland may be partially included (however, the situation in Poland has been slowly transforming after the accession to the European Union) are nevertheless deeply rooted and it is very difficult to change them. Whereas, according to R. Kapuściński “Every single one of (...) the people we meet on the way through the world consists of two beings, comprises the duality, which is often difficult to separate (...). One of these beings is a human such as anyone of us: they have their own joys and worries, their good and bad days, enjoy success, do not want to be hungry or cold, feel pain as suffering and unhappiness, perceive well-being as satisfaction and fulfilment. The other being overlapping and intertwined with the first one is a human perceived as a bearer of racial characteristics, bearer of culture, beliefs and opinions. None of these beings appears in the pure and isolated state, they both co-exist, influencing each other.”².

Therefore, the objective of the presented study will be not only indication of these differences and ambiguities mentioned by R. Kapuściński, but also their acceptance and effective utilisation in management, in a new business model.

The concept of business model

The literature in the scope of management³, particularly strategic management, often uses description of a business model in the context of a particular way



of conducting activity by the enterprise, characterising it in a long-term and allowing values development within the longer time perspective. In the Author's opinion, business model defines a specific for a given enterprise's way of creating values for customers and other interested parties – participants of the supply network. The objective of any enterprise is increasing its value over a long-time period, whereas the main problem poses little predictable environment. Diversity management may become one of the ways allowing realization of values in a long-time period. However, it requires the key resources: trust and ethics, obligatory in the organization as the main and generally observed values.

Among main advantages of diversity management are mentioned:

- strengthening values of intraorganizational culture
- strengthening a good opinion (reputation) of the corporation
- assistance in attracting and keeping talented workers
- improvement of motivation and effectiveness of the existing staff
- increasing the workers' innovativeness and creativity.

The survey carried out in the EU in 2005 indicates a broad range of opportunities for the use of diversity management⁴:

- recruitment, selection of employees, the policy of keeping them (almost 90% of answers)
- employees' development and advances (85%)
- development of leadership and talents management (85%)
- the use of strategies (75%)
- politics and procedures (74%)
- employees' cooperation (68%)
- marketing and communication (35%)
- customer (client) service (32%)
- development of products and services (25%)
- sales (22%)
- reductions, restructuring (20%).

Diversity management requires development of the adequate company's culture and it is closely linked to sustainable development.

Management vs. culture

Culture is a set of shared beliefs, values and behavioural patterns, mutual to a particular group of people.⁵ The silent language of culture means mainly the differences in the use of space and time orientation⁶. On the one hand, they are inspiring, while on the other, they may lead to cultural shock manifesting through the sense of being lost and/or threatened. National culture and organizational culture have a sig-

nificant impact on possibility to use various models of diversity management.

According to G.C. Avery, when analysing various approaches to management, the four basic management styles closely related to leadership styles may be specified. The table 1 illustrates connections between the styles of management and leadership styles. Moving towards the bottom of the table it is obvious that employees' participation in decision-making is increasing, alongside their responsibility for these decisions. The lowest adaptability to the changing environment characterizes classical organization, while the highest – organic.

Table 1. Four main styles of decision making connected to management paradigms

Styles	Decision making process	Decision maker	Paradigm
Authoritarian	Leader makes decision mainly independently	Leader	Classical
Consultational	Leader consults particular subordinates	Leader	Transactional
Based on consensus	Involvement of the whole group, working out the consensus	Leader	Visionary
Based on reciprocal arrangements	The right to make decision is granted to a group or particular subordinates	Group	Organic

Source: G.C. Avery, *Leadership in organization*, PWE, Warsaw 2009, p. 70.

The way of using language in communication may vary significantly depending on culture. On the basis of this, the anthropologist E.T. Hall defined two kind of cultures: low-context ones for whose representatives it is important to use a verbal message in order to understand their intentions, and high-context ones for whom the nonverbal message based also on relations and references to the past is more important. Among the former are western cultures, whereas Asian, Middle East, Latin and South American countries belong to the area of high-context cultures. Then, R.R. Gesteland divided cultural models of business behaviours into pro-partnership ones (relationship-focus) and pro-transactional (deal-focus). The key factor in the former ones is focusing on human relationships as the base for business, and participation in a given group of acquaintances as the key to success (among others Arab, Latin American, and most Asian countries). Whereas in the latter ones, business can be done with different people, even total strangers (Northern Europe, Northern America, Australia, New Zealand).⁷ In the Author's opinion, the mentioned divisions are overlaid with a specific cohesive factor of social ties – trust. Knowl-



edge of the basic cultural codes constitutes the key factor “softening” the effect of cultural shock.

Another element significantly differentiating particular cultures is the use of space in order to communicate. The above-mentioned issues are the subjects of proxemics. The issues include:

1. the principles of building a personal space and maintaining appropriate distance during communication, characteristic for different cultures, as well as the place where a given person was brought up (rural, urban areas) or family relationships (for close relatives, of a low level of hierarchization of relationships this distance is smaller),
2. internal and external architecture which facilitates collective work or establishes conditions for individual work.

Namely, in Japan organization of space may play different roles depending on its light, more symbolic than formal arrangement. At night, the guest-room is changed into a few bedrooms after dividing it with paper partitions; when a manager whose work station is situated in the so-called cubicle in the open space wants to work alone, they place a bamboo stick next to their cubicle and in this symbolic way “shut themselves” from the others⁸.

The illustration below presents the organization of a common space – the meeting place. On the left side, there is presented a very innovative arrange-

ment (with different matters at the same time) is perceived as uncivil.

Religion as an important factor determining cultural boundaries sets also the rules learning of which allow better navigation through business. Regardless the decreasing significance of religion in the contemporary world, some principles have already “permeated” secular life, while in some societies they still determine the rhythm of life and paid work⁹.

A written contract is perceived in many countries as binding; however, in some Asian countries, e.g. w China, a written contract is only the beginning of changes that take place in the course of both parties cooperation. The English law recognizes gentlemen’s agreement that means that if the parties settle a deal regarding particular solutions in a non-verbal way, this agreement is binding. Similar situation is observed in case of Islamic countries, where expecting to have a given word confirmed by a written contract may be considered as offensive.

Values perceived in particular cultures – cultural models

The subject literature presents several cultural models, which allow aggregation of particular cultures in pursuit of management principles. However, such classifications should be approached with due consid-



ment which aim is creating a rather cameral atmosphere, on the right – classical, most often used room arrangement.

The approach to time constitutes another element dividing particular cultures into monochronic ones where time is perceived as sequences and polychronic ones where time is a secondary factor in respect to relationship development. Generally, Western and American cultures are largely determined by the course of time; its violation (unpunctuality, dealing

eration, as they may consolidate the already deeply rooted stereotypes. On the other hand, they may be useful in a search for motivational tools in the societies representing various cultures.

According to the Hofstede’s model¹⁰, national cultures are viewed through the prism of five dimensions:

1. Power distance, which mainly deals with observance of hierarchy principles; in the cultures with low power distance, i.e. flat organizational structure,



relations between the leaders and subordinates are more informal (consultational management), there are more visible attempts at egalitarianism. In turn, a low level of formal differentiation facilitates, according to the social capital theory, creativity and innovativeness, as well as economic development. It manifests with lack of huge “pay gaps” therefore lower income differentiation. It may be assumed that such situation creates enterprises employing “experts”, i.e. people with high competences and skilled in global analysis. In turn, cultures with high power distance are based on hierarchy, which favours authoritarian and classical leadership.

2. Uncertainty avoidance; simplifying somehow, it may be admitted, that culture accepting high level of uncertainty favours introduction of changes, it also establishes rather flexible operational framework; from the point of view of management it translates into a visionary or even organic leadership model; in turn, cultures preferring high level of uncertainty avoidance are based on rules, regulations and standardisation, which allow high predictability of everyday activities.
3. Individualism/collectivism: this dimension allows assessment whether (and to what degree) particular cultures concentrate on teamwork and value it as the way to find solutions, or prefer individualism. Managers in collectivist cultures are more inclined towards developing teams, because in the companies where collective work is the core of culture the workers are more inclined towards acting as a group.
4. Masculinity/femininity: masculine cultures value assertiveness, competitiveness and ambition to a greater extent, while feminine cultures prefer cooperation and good relationships at work.
5. Attitude to time, meaning a degree of interest in operating within the real time or thinking about the future.

Thus, for example Japan is a masculine culture country, characterized with concentration on the remote future, with culture close to collectivism. The Japanese try to avoid uncertainty (which, i.a. means employment stability), while their distance to power is on a medium level. Following the above model, we may characterize other countries.

A slightly different approach based on two dimensions, first of which are human relationships, while the second concerns attitudes towards time and environment, is represented by F. Trompenaars¹¹. He indicates five main differences between cultures, based on relations:

- universalism versus particularism, i.e. adjustment to the rules and principles obligatory in a given culture (either accepting the rules or more flexible approach to the rules)

- individualism versus collectivism (communitarianism) (individual freedom and responsibilities in mutual relations or focusing on common interest and reaching consensus)
- neutral versus affective relationships; level of showing emotions in mutual contacts; in case of some cultures, for example, in Japan keeping a distance and objectivity are most important, while showing emotions is perceived as tactless;
- specific versus diffuse cultures, it refers somehow to the previous dimension; it indicates the depth of relationships or their superficiality;
- achievements versus ascription (achievements vs. assigned attributes); it indicates the way to reach a particular position in the society

In turn, depending on the attitude towards time, Trompenaars contrasts time perceived as a sequence with time viewed as synchronisation and divides cultures into sequential ones where time is treated as a straight line sequence of events and synchronic ones that treat time as a circle, fusing the past, present and future. The attitude to environment is related to self-perception of the individuals either as controllers of environment, which is used as the mean for achieving their own goals (inward directed cultures), or as parts of nature (outward directed cultures). The care of environment is also one of significant factors of sustainable development.

The role of a leader in managing diversity

The presented above cultural divisions point out the threats, as well as the chances respective to the management in the culturally diversified world. Based on them we may draw a conclusion that management theories cannot be applied in a universal way, as the means that proved to be effective in case of one company may not be appreciated in another. In the light of the most advanced theories, maintaining the company values over the long-term means taking care of non-material assets to a much larger extent than in the past. These assets comprise people, their knowledge, competences, commitment and motivation. From the managers’ point of view, such key factor becomes leadership understood in a broad sense.

The role of leadership in the complex and increasingly less stable environment is becoming more important. Therefore, the managers’ role is changing significantly. A useful tool for developing this new role is the chaos theory¹², which puts the stress on the order rooted in the very nature of the system – universal behaviour of similar systems. In consequence, each organization aiming at developing culture of innovativeness, should head for chaos. However, too much chaos also poses a threat to the organization function-



ing. Therefore, it is necessary to seek such state of balance that allows existence of some state of “order” as well as “disorder”. Too much order may lead to weakening of the system flexibility, therefore to reduction of its adaptive abilities. Cultural diversity may lead to creation of chaos, which is connected to low predictability of synergy, resulting from work in culturally diversified teams. One should also include the negative aspect of introduction of diversity into the organization of high level of hierarchization and obligatory standards, i.e. the enterprise that is not prepared for acceptance of a new “alien” structure. In such case, the effect may be a “rejection” and even tighter isolation of the organization. Therefore, for managers it is important to aim rather at lowering the level of controlling instead of the usual in such situations tightening control. Weakening the level of control usually stimulates “self-regulation” of the system that is an organization. However, in order to achieve self-regulation of the system additional conditions are necessary, such as trust and morals (ethics) executed in the enterprise. Otherwise, it may lead to destruction of the entire system.

Such situation is currently observed in Poland where a dynamic economic growth of the last years and almost doubled share of people with tertiary education among adult population during the last two decades is not accompanied by a growth in social capital¹³. The ties between people and their cooperative ability are the substance of the social capital nature. Among measurements of social capital are mentioned the level of trust, corruption, social activity, i.a. measured with participation in social organizations, density of the informal social networks. The trust in the institutions is measured each year by the Eurobarometer surveys. Since the Accession of Poland to the European Union, we have been holding the last places in this survey. The trust in institutions translates into the trust in other people, including business partners as well as leaders – managers in organizations.

A low level of trust generates high transactional costs caused by a necessity to establish broadly meant controlling institutions. Management based on control generates high transactional costs also in organizations. When analysing the reasons for such low position of Poland in the ranking of “trust in institutions” it is worth to take notice of the construction of the legal infrastructure in Poland. It is based on the principle of lack of trust in the public. Citizens should prove their compliance with the law, as the assumed principle is the treatment of all “citizens” as potential criminals. Therefore, it does not assume honesty as the fundament for developing legal and financial systems. This has serious consequences not only for the systems of financial instruments, but also for morality and trust in the state. Finally, it not only leads to

development of controlling systems, which usually trace criminal offences of little significance, but also to further erosion of trust in the state, because corruption and nepotism are not treated as the factors harmful for developing democratic society¹⁴.

After reaching a certain level of society wealth, human capital ceases to play such a significant role (for Poland the threshold is a level of 8-10 thousand zł per person), whereas the key determinant of growth becomes social capital. Seclusion in local groups, therefore erecting high entrance barriers to local communities, becomes a significant factor hindering further development. The stronger are the ties within a group, the weaker is creativity and tolerance, and the tendency towards establishing ties with customers (clients) or co-operators not belonging to a particular group. The benefits generated by social capital were presented by D. Halpern¹⁵. Trust and ties that it facilitates allow better circulation of information and stronger inclination to share it. In addition, transactional costs are declining, because a deal may be concluded “on the spot” without having to include provisions and other conditions that create additional system of securities but also require control. At the same time, positive relations with others make us more inclined towards investment in the common good.

In uncertain situation, the managers are advised to “surf the wave” instead attempting to create controlling tools. In such environment, a leader tries only to determine general direction for the future, which will be subject to corrections depending on environment. In the traditional, stabile situation leaders attempt to organize the staff and internal processes subordinating them to realization of the vision. They assumed that rational actions had a deciding impact on the organization’s future. The results are failed realizations of visions and changes of leaders. Some leaders are believed to be better suited for maintaining the enterprise during the peaceful times, while others are perceived as the ones taught to operate under crisis. However, such distinction does not seem to be justified, as changeability of environment enforces permanent acting “in crisis”. Therefore, these skills turn out to be the most valuable.

The significant problem is matching the “leadership” vision and the notion of the group – the enterprise labour force. Enterprises with traditional culture, managed autocratically therefore according to the classical and transactional paradigms¹⁶ will be less susceptible to the visionary or organic leadership. The organizational structure of an enterprise may significantly facilitate identification of culture and the company’s adaptability to changes. High level of hierarchization, i.e. high power distance according to the Hofstede’s classification implies application of the clas-



sical management style and similar leadership. Most often innovativeness is the factor that “imprints” itself on the enterprise organizational structure and creates environment susceptible to organic management.

It is also worth to consider the key factors influencing functioning of the global economy, which will also allow identification of main risks for enterprises, caused by external factors. G. Mulgan believes that the shape of the future economy will be determined by three factors: ecology, globalization and demography¹⁷. He anticipates that a new type of capitalism will focus more on these factors, as the key ones for the further economic development. It will also cause transformation of the main role of capitalism: from the service receiving into service providing. Thus, also the role of the state will change. It will transform from guarding (characteristic for neo-liberal currents) to supporting developing of new culture based on sustainable development.

The increasingly more often criticised consumptionism, which may be perceived as a symptom of some kind of social infantilism, evolves into civic movements (e.g. Slow Food, ecological movements, anti-globalists) based on similar ideologies and responsibility such as social networking websites. They have already been issued proposals to introduce individual accounts of carbon dioxide emission, or personal social and health accounts. They may constitute basic elements of the new architecture of the state that takes care of risk dispersal, and combines new rights with obligations to economize or managing owns accounts (increasing the sense of responsibility for undertaken activities among the public).

Therefore, there is created economy based on social capital where relations comprise the base for operating in the new system. G. Mulgan defines it as “welfare economy”, although in the Author’s opinion, its basic value is not passive “welfare”, but active development of social networks, the base for civic society. An active environment for developing such economy creates “feminine” management style based much more than the masculine one on coaching and mentoring. Women managers in many situations are more effective than their male counterparts. Their role and position in the companies operating on the Polish market is improving gradually, nevertheless their percentage share among the top executive managers is low. Boris Groysberg¹⁸ believes that in companies, women – stars perform much better in a new job than men who often have problems with adjustment to new structures and organizational culture. According to Groysberg, the main reason for this lies in a different way of building relations with environment. Men cope better within the enterprise, women with external relationships. These theses were supported by the marker surveys carried out over a small

group of people representing well a branch developed on the advanced market. There are no such thorough studies in Poland¹⁹.

Conclusion

Managing diversity writes well in the search for new, more effective tools for coping with the environment uncertainty. However, effective utilisation of this model requires much better than hitherto skills from the leaders. It is possible, that the competences allowing releasing the synergy of diversity will become the key competences of the next post-capitalism era. However, the main tissue that allows realization of this strategy remains social capital. Contrary to what might be considered as logical, a rapid drop in social capital follows in the wake of economic crisis. Reconstruction of trust and relationships during the period of better economic situation will require specific skills from the leaders, both in enterprises, as well as in states.

Referring to the often-discussed problem: whether the leadership has gender, the Author does believe that most effective are mixed teams with equal representation of both genders. Personally, the Author’s feels close to the vision of organic leadership, within the framework of which decision is made searching for the solution regarding different opinions – even very contradictory ones. This is the way to create organisms characterized with high adaptive abilities, which actually is the core of management in the changeable conditions.

The examples of the use of diversity management model in enterprises²⁰

Citi

In the Citi it is believed that diversity of staff facilitates obtaining, development and keeping the greatest talents, increasing creativity, innovativeness and flexibility, development of stronger ties with clients, strengthening reputation (choice employer) and adjustment to the global demographic tendencies. It might be worth to quote the motto which is the Citi value and regards working environment: “Creating working environment free from exclusions and fostering respect – through training and raising awareness. In our company, cultural differences are not only respected, but above all they are desired. We offer flexible work arrangements, in order to allow our personnel to find the adequate equilibrium”. Citi is also preparing for the future trends within this range, determined by the following elements: increasing significance of faith and religion, cross generational team of staff, care, non-tra-



ditional patterns of work, concentration on fatherhood and diversity of services providers.

HRK

The HRK.pl analyses and utilises market tendencies in recruitment and management. Among the key phenomena are mentioned:

- increasing awareness of the organization and managers concerning business profits derived from creating heterogeneous teams;
- closer cooperation between the Human Resources section and “business” inside the organization ;
- higher maturity of managers in respect to diversity seeking, initiating and acceptance, in order to create teams able to operate effectively in various market conditions and in changing business environment;
- increasing trust in competences and potential of candidates with simultaneous resignation from stereotypes.

Although a still large group of managers is believed to make decisions concerning recruitment based on intentions to establish homogeneous teams, nevertheless, the recently observed decline of the world’s markets may effectively verify such approach as inflexible and hindering effective actions targeted at efficiency.

¹ J. Cieśla, *Za mało za to samo* [Too little for the same...], *Polityka* no. 17 of 25.04.2009.

² R. Kapuściński, *Ten Inny*, Wydawnictwo Znak, Kraków 2006, p. 10.

³ This subject is widely discussed by: T. Gołębiowski, T.M. Dudzik, M. Lewandowska, M. Witek-Hajduk, *Modele biznesu polskich przedsiębiorstw* [Business models of Polish enterprises], WSE, Warsaw 2008, p. 15-54.

⁴ *The Business Case for Diversity: Good Practices in the Workplace*. European Commission, 2005. The survey covered almost 400 people; the percentage share of answers is in brackets.

⁵ J.R. Schermerhorn, Jr., *Zarządzanie* [Management], PWE, Warsaw 2008, p. 72.

⁶ E.T. Hall, *Ukryty wymiar* [The Hidden Dimension], Wydawnictwo Literackie Muza S.A., Warsaw 1997.

⁷ R.R. Gesteland, *Różnice kulturowe a zachowania w biznesie* [Cultural Differences and Business Behaviour], Wydawnictwo Naukowe PWN, Warsaw 2000, p. 18-27.

⁸ More about this in: E.T. Hall, *Ukryty wymiar* [The Hidden Dimension], op. cit.

⁹ It is worth to know that the month of Islamic religious observance Ramadan is the period of fasting between dawn and sunset, whereas banks that operate according to the Koran do not charge interests. The example for not adjusting to the local customs may be the adornment of one of the Nike trainers, which strongly resembled the word Allah written in Arabic alphabet. After several protests calling for boycott of trainers and the company itself, it was quite quickly decided to change the adornment (see: J. R. Schermerhorn, *Zarządzanie...* [Management ...], op. cit. p. 74).

¹⁰ See. i.a.: G. Hofstede, *Motivation, Leadership and Organization: Do American Theories Apply Abroad?*, „Organizational Dynamics” 1980 oraz „Cultures and Organizations”: Software of the Mino, McGraw-Hill, London 1991.

¹¹ Por.: F. Trompenaars, *Riding the Waves of Culture: Understanding Cultural Diversity in Business*, Nicholas Brealey Publishing, London 1993.

¹² G.C. Avery, *Przywództwo w organizacji, Paradygmaty i studia przypadków* [Leadership in organization. Paradigms and case studies], PWE, Warsaw 2009, p.74.

¹³ *Polska smuta*, prof. Janusz Czapiński o kryzysie zaufania, nepotyzmie oraz dobrym i złym kapitale społecznym [Polish gloom, Prof. Janusz Czapiński on the crisis of trust, nepotism and good and bad social capital] „Polityka” no 16 of 18.04.2009.

¹⁴ The examples of a drop in trust alongside age among the Poles were presented in the interview of J. Żakowski with J. Czapiński (see: *Polska smuta* [Polish gloom], op. cit.). The mentioned studies show that while the level of trust to others of pupils in the Year Five stays on the level similar to the European one (30%), close to the end of education it drastically drops to the level of 7-8%.

¹⁵ *Ibidem*, p. 20.

¹⁶ G.C. Avery, *Przywództwo* [Leadership ..], op. cit., p. 72.

¹⁷ G. Mułgan, *Kapitalizm nie jest wieczny* [Capitalism is not , „Dziennik” of 2-3 May 2009 .

¹⁸ B. Groyberg, *Jak kobiety gwiazdy budują swoje uniwersalne zdolności* [How do women-stars develop their universal abilities], HBRP, November 2008, p. 88.

¹⁹ H. Brdulak, *Elastyczny styl zarządzania kobiet* [Flexible managing style of women] „Harvard Business Review Poland”, November 2008, p. 96-97.

²⁰ The examples come from the conference Managing diversity organized by the International Forum for Women WSE and PWNNet in the Warsaw School of Economics on 28 November 2008.