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Perspectives on Diversity Management

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ABSTRACT

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This doctoral dissertation examines diversity management from Human Resource Management (HRM) perspectives. The purpose of the study is to find out what kinds of impacts increasing workforce diversity has on HRM within organizations. This aim will be achieved through four articles, in which the effects of diversity management on HRM are studied from different perspectives and mainly in longitudinal settings.

The objective of the first article, as a pilot study is to find out what the reasons, benefits and challenges of emerging cultural diversity are and what implications it has for HRM in order to gain a pre-understanding of the issue in the local context. The study reveals that diversity was considered important for competitiveness, but was not typically stated in HRM strategy. Recruitment, training and development were the main areas modified. The aim of the second article is to investigate how different diversity management paradigms identified in organizations impact HRM. It contributes by presenting an empirically tested typology explaining the extent to which the activities of the strategic and operational level HRM are reactive or proactive in light of four different diversity management paradigms. The third article aims to examine how workplace multiculturalism is developed and promoted through a 'working culture bridge group'-method. The study investigates how development goals are set, what training and development methods are applied and what the outcomes and their explanatory factors are when a bottom-up training and development approach is applied. The main objective of article four is to identify what aspects in the design of diversity management are globally integrated in multinationals (MNCs) and what integrating (delivery) mechanisms are used in facilitating it. The other aim is to ascertain the institutional-based challenges associated with the Finnish national diversity context, which was encountered throughout the integration process. The findings reveal that through extensive use of various integration mechanisms, the case organization was able to achieve more global consistency at the level of diversity philosophy, but was forced to rely on a more multi-domestic approach to implementing diversity policies and practices. The challenges encountered highlighted the peculiarities of the Finnish cognitive and normative institutional context for diversity.

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1. INTRODUCTION

Management of diversity has become popular in recent years (lately in Europe), having its roots in North America. There are also traditionally homogenous or non-diverse countries, such as Finland, which have not until now faced the challenges accompanying an emerging cultural and ethnic-based diversity within the workforce. Despite the different contexts workforce diversity is increasingly gaining more attention and characterized by its growing importance due to globalized and international business, mobility of global and national workforces, demographic developments, or to increasing competitiveness (Johnson & Packer 1987; Tayeb 1996; DeNisi & Griffin 2001; Konrad 2003; Kirton & Greene 2005). Consequently, diversity management issues have been approached through legislative, economic, and ethical forces. The changing composition of the working population as to language, race, age, religion or ethnic and cultural background is said to challenge especially human resource management (HRM) to utilize diversity: the knowledge, capabilities and skills potential of the entire workforce to cope with the future changes (Cox 1993; Tayeb 1996; Thomas & Ely 1996; Kandola & Fullerton 1998; Thornhill, Lewis, Millmore & Saunders 2000; Gilbert & Ivancevich 2000; Gagnon & Cornelius 2002; Kirton & Greene 2005). The European way of diversity management is recognized to be emerging yet found to stress the linkage to business (Stuber 2002) and lacking knowledge in diversity management issues (European Commission 2003). Increasing immigration focuses diversity to be often handled as cultural minority challenges, which suggest the main-streaming of anti-discrimination activities (Wrench 1999).

These reasons have, in turn, formed the basis of the extensive research into diversity which has produced various theories, frameworks, paradigms and guidelines from multidisciplinary perspectives, for instance, from industrial/organizational psychology and behavior (OB), sociology, ethnology, migration, economics, postcolonialism etc. in the form of global, societal, organizational, group and individual level diversity studies. This dissertation concentrates on diversity issues from business economics and more precisely, from HRM perspectives as organizational level phenomena.

Organizational demography focusing on the construction of diversity and social psychology, particularly social identity theory with different 'identities' of people or intergroup relations are mainly used as conceptual frameworks (Mor Barak 2005). In the working context, the research aim is mainly to identify inequalities or investigate the effects of diversity on work-related outcomes

(Janssens & Steyaert 2004; Kossek, Lobel & Brown 2006). The research interest at the individual level focuses on behaviours, attitudes, cognition, intercultural skills or competencies of persons (see e.g. Cox 1993; Triandis 1995; Nkomo & Cox 1996) and at the group level on group dynamics, inter-group relations, performance and teamwork or construction (see e.g. Jackson & Ruderman 1996; Milliken & Martins 1996; Williams & O'Reilly 1998; Thomas 1999). Organizational level studies cover such issues as justifications behind the composition of the workforce as well as workplace equality and diversity issues and how they can be managed effectively (e.g. Thomas 1990; Cox 1993; Herriot & Pemberton 1995; Kossek & Lobel 1996; Tayeb 1996; Thomas & Ely 1996; Wilson 1996; Liff 1997; Kandola & Fullerton 1998; Lorbiecki 2001; Dass & Parker 1999; Denisi & Griffin 2001; Gagnon & Cornelius 2002; Kirton & Greene 2005). Studies can further concern either domestic diversity, excluding national differences, or international diversity, referring to different national cultures (Jackson & Joshi 2001).

Diversity is said to be a context dependent, selective, relative, complex, and plural term or concept with different perceptions in different organizations and cultures without any unitary meaning (Moore 1999; Cassell 2001; Omanovic 2002; Caproni 2005). As a consequence, along with various internal and external factors, diversity can be managed, people trained and organizations developed in different ways. This dissertation approaches diversity in an organizational context as a construction of 'differences' to be managed.

Various management approaches have advanced in sequential phases bringing along different diversity management paradigms. The two traditional approaches and main streams with different theoretical grounds to manage and deal with workforce diversity issues are equality/equal opportunity (EO) legislation and diversity management (DM). These approaches basically relate to whether diversity is managed through enhancing sameness through legislative forces or as valuing the differences of people on voluntary grounds, which indicate the reactivity and proactivity of an organization towards diversity management (Thomas & Ely 1996; Kandola & Fullerton 1998; Dass & Parker 1999; Cassell 2001; Kirton & Greene 2005). Among many alternative classifications and approaches to manage diversity (cf. e.g. Cox 1993; Gagnon & Cornelius 2002; Kirton & Greene 2005), this study applies the diversity management paradigm perspectives of Thomas and Ely (1996) and Dass and Parker (1999), which are *resistance*, *discrimination-and-fairness*, *access-and-legitimacy* and *learning-and-effectiveness* paradigms. The focus in these four paradigms changes from first resisting diversity through treating it equally and

then considering diversity valuable for business towards seeing learning opportunities in it. Accordingly, the integration of diversity management varies. However, the impact of the paradigms on HRM activities has been poorly addressed in previous research.

HRM activities at the operational level include recruitment, training and development, performance appraisal and rewarding, which are seen as the means and the logic, through which human resources can be managed guiding the choice of specific HRM policies and practices (Schuler, Jackson & Storey 2001). At the strategic level HRM activities are linked to influencing the business strategy and adding value to the organization (Schuler et al. 2001; Bratton & Gold 2003). HRM is, indeed, considered central having the capacity to promote the management of diversity and its integration with its strategies and activities (Cox 1993; Kossek & Lobel 1996; Kandola & Fullerton 1998; Kirton & Greene 2005). On the other hand, the ability of 'traditional' HRM to manage diversity and support workplace equality and diversity instead of effectiveness by maintaining homogeneity and similarity, is questioned (Kossek & Lobel 1996; Tayeb 1996; Cassell 2001; Lundgren & Mlekov 2002; Kirton & Greene 2005). HRM is also perceived as insufficiently designed to respond to external changes (Kossek & Lobel 1996). These kinds of notions and contrary views raise the question whether managing diversity is primarily a HRM issue or not (Agócs & Burr 1996; Cassell 2001; Benschop 2001) since little evidence regarding the integration of diversity practices and policies into HRM or its relevance in HRM literature exists (Benschop 2001; Cassel 2001; Hoobler & Johnson 2004). If it is a HRM intervention, then the correspondence between diversity objectives, diversity management strategies and HRM responses in order to gain the desired benefits, is suggested to be more deeply addressed (Agócs & Burr 1996). The arguments of the importance of HRM in managing diversity also suggest a more proactive policy from HRM (Kirton 2003), implying to its capability to reduce inequalities in order to attract, develop, retain and motivate diverse workforces. The operational HRM activities in managing diversity are addressed in the first article of the present dissertation as a pilot study, which encouraged further investigations on the nature of HRM activities.

The reactivity or proactivity of HRM is argued to relate to the need of a conceptual shift from traditional HRM (Ulrich 1997; Wintermantel & Mattimore 1997; Brockbank 1999; Thornhill et al. 2000;) towards the strategic participation of HRM and changing from an isolated reactive administrative function implementing strategy one-way, to proactively influencing business strategy formulation and effectiveness two-way (Golden & Ramanujam 1985; Butler

Ferris & Napier 1991; Noe, Hollenbeck, Gerhart & Wright 1997). Brockbank (1999) has analyzed the development and trends of HRM activities, showing how they have first been operationally reactive, then operationally proactive moving towards being strategically reactive, and then strategically proactive. These stages of HRM evolution also indicate the increase in competitive advantage and strategic value by means of the HR function. The model of *reactive and proactive strategic and operational HRM activities* (Brockbank 1999) was found suitable in the second article of this dissertation in order to examine HRM's involvement in diversity management and more precisely, how the significance of HRM can be demonstrated in organizations dominated by a certain diversity management paradigm (Thomas & Ely 1996; Dass & Parker 1999).

Even though the reactivity or proactivity of HRM can have relevance across all HRM activities (either strategic or operational) in managing diversity, in particular, training and development is argued to be one of the main means employed (Wentling & Palma-Rivas 1998; Jayne & Dipboye 2004). However, the way in which organizations promote diversity issues can be said to depend on the objectives of managing and utilizing diversity, directing whether they aim to influence and change individuals or organization or both (Cassell 2001; Wrench 2001; Bendick, Egan & Lofhjelm 2001). Different training and development strategies have been found to have advanced in sequential phases and can be divided into: *information provision, impacting attitudes, behaviours or organization* (Wrench 2001). They aim to increase knowledge of diversity issues, change attitudes and behaviours or develop organizational measures. The application of training and development in light of the different management paradigms, however, is lacking in existing literature and is investigated in article three of this dissertation.

Moreover, it is argued that diversity training and development can often fail and be inefficient, if conducted as isolated events, top-down planned and delivered (Bendick et al. 2001; Richards 2001). For these reasons, it is suggested, in order to increase the effectiveness of training and development, to approach the management of diversity, its integration or implementation as a comprehensive development and change process towards inclusiveness, which concern both the individual and the whole organization; its practices, structures, power relations and culture (see e.g. Tayeb 1996; Ford & Fisher 1996; Kossek & Lobel 1996; Kandola & Fullerton 1998; Dass & Parker 1999; Moore 1999; Lorbiecki 2001; Bendick et al. 2001; Wrench 2001; Easley 2001; Jackson & Joshi 2001; Litvin 2001; Litvin 2002; Jackson, Joshi & Erhardt 2003; Kirton &

Greene 2005). In creating an inclusive culture, an enabling working environment or in promoting diversity issues partnership with employees and involvement of different stakeholder groups is suggested (Nemetz & Christensen 1996; Easley 2001; Cornelius, Gooch & Todd 2001; Gagnon & Cornelius 2002; Cornelius & Bassett-Jones 2002; Simmons 2004), and particularly for the purpose of bringing about cultural change (Ulrich 1997). However, participative and empowering development methods are only scarcely reported in existing research. On these grounds, this study focuses in its third article on the process of training and development by means of the so called 'working culture bridge group'- method along with its explanatory factors in promoting workplace multiculturalism.

When the perspective is widened to global diversity management it is found to be mainly of US origin (Wentling & Palma-Rivas 2000; Jones et al. 2000; Egan & Bendick 2003; Ferner, Almond, Clark, Colling, Edwards, Holden & Muller-Camen 2004; Ferner, Almond & Colling 2005), the suitability of which e.g. in a European context is questioned (Cassell 2001; Stuber 2002; Egan & Bendick 2003). Indeed, diversity management in an international setting is poorly studied where the internationalization of domestic diversity agendas focuses mainly on the activities of US MNCs reflecting a strong national perspective, being somewhat descriptive in nature and small-scale in design (Wentling & Palma-Rivas 2000; Egan & Bendick 2003). The extant literature, however, shows that the integration and implementation of diversity management is fundamentally affected by the local context (Stuber 2002; Egan & Bendick 2003), in the same way that organizational practices face pressures in the host environment characterised by its institutional differences (Kostova 1999). Despite calls for the global HR function to reassess their role in view of the globalisation of business and the globalisation of the workforce (e.g. Roberts, Kossek & Ozeki 1998; Novicevic & Harvey 2001; Evans, Pucik, Barsoux 2002; Sparrow, Brewster & Harris 2004; Brewster & Suutari 2005), their participation in managing global workforce diversity has been modestly addressed (Hoobler & Johnson 2004). Whether HRM is considered a key issue in the global integration of diversity management, as suggested in its domestic agenda (e.g. Kossek & Lobel 1996; Kandola & Fullerton 1998; DeNisi & Griffin 2001) as well as the overall mechanisms that are used in integrating global diversity management. On these grounds, the integration of diversity management is explored in the fourth article of the present dissertation in a European MNC in terms of its HRM activities and global integration modes (Schuler, Dowling & De Cieri 1993; Kim et al. 2003).

Lastly, earlier research has also paid attention to both the insufficiency of the overall research of diversity management and to applied research methods, being mainly quantitative. For instance, Hoobler and Johnson (2004) found that HRM journals were almost lacking management of diversity issues (3 % of the total of 467 articles) with suggestions to increase case studies, interviews and participant analysis to increase exploratory research. HRM and diversity management studies are said to often represent a US positivist research tradition and reflect the dominance of the Anglo-Saxon mode of diversity management and the embeddedness of diversity agendas in the US domestic environment (Jones et al. 2000; Cassell 2001; Schneider & Barsoux 2003; Ferner et al. 2005; Prasad, Pringle & Konrad 2006). Furthermore, longitudinal and multiple-case study designs are said to be scarce along with non-US empirical evidence/data in diversity management studies, for example, to assess the distribution of diversity effects (Dietz & Petersen 2006). Local Finnish diversity management research is also very modest and more research is suggested on diversity issues in a working life context (cf. Forsander & Alitolppa-Niitamo 2000; Trux 2000; Juuti 2005; Pitkänen 2005; Söderqvist 2005). This dissertation seeks to address some of these research gaps by offering longitudinal case study evidence in a non-Anglo Saxon context in examining how diversity impacts HRM both on a domestic and global basis.

1.1 Objective of the study

In light of the above perspectives and gaps in the research, the present study aims to investigate, what kinds of impacts increasing workforce diversity has on HRM within organizations. The study objective is approached from multiple perspectives by answering the following questions:

1. *What are the reasons, benefits and challenges of emerging cultural diversity and what kinds of implications does it have for HRM?*
2. *How do different diversity management paradigms identified in organizations impact HRM?*
3. *How workplace multiculturalism is developed and promoted through a participative and empowerment-based training and development method called the 'working culture bridge group'-method?*
4. *What aspects of diversity management are globally integrated in MNCs and what mechanisms are used in facilitating it? To what extent does the Finnish institutional context for diversity present challenges in the integration process?*

The research problem is approached in four articles, which are summarized in Table 1.

Table 1. Summary of the four articles

| | Article one | Article two | Article three | Article four |
|--------------------------------|---|--|---|---|
| Focus of the study | Pilot study: Creating pre-understanding of the implications of emerging diversity for HRM | Investigating the impacts of diversity management on HRM | Analyzing the promotion of multiculturalism through participative development method | Analyzing the global integration of diversity management |
| Source of data | Multiple case study n=10 22 persons | Multiple case study n=5 26 persons | Multiple case study n= 15 15 focus groups/ 60 persons 1 focus group/4 persons | Single case study n=1 4 persons 1 focus group/ 4 persons |
| Data collection methods | Interviews, n=22 | Interviews, n=35 | Interviews, n=20 Meeting records, diaries, magazines, seminar material | Interviews, n=13 Integration plans, attitude surveys/ results, diversity evaluation tools |

Sippola is the single author of articles two and three. The first article is co-authored with researcher Jussi Leponiemi. Leponiemi and Sippola have jointly written the paper, in which Sippola's main responsibilities were diversity management and HRM in the theory section. Both researchers participated in data collection, analyzing the data and writing separate multiple case study reports. Leponiemi's main contributions to the article were the cross analysis of multiple case studies and the combination of their results.

The fourth article is co-authored with researcher Adam Smale. Sippola's main responsibilities were data collection, the preliminary rounds of data analysis and the theoretical section on diversity management. In addition, Sippola co-operated with Smale in the sections on the Finnish context for diversity as well as on the conclusions and implications. Smale's main contributions were the theoretical sections on global integration and institutional theory as well as the latter rounds of data analysis.

1.2 Structure of the dissertation

The first, introductory chapter has covered the background and objectives of the dissertation. The second chapter continues with a literature review, in which the background theories and theoretical frameworks of the articles are discussed, and the Finnish diversity context is also introduced. The third chapter presents the research strategy, design and methodologies, containing also the validity and reliability discussion. The fourth chapter presents the empirical part of the dissertation covering the summaries of the articles, in which the goals, theoretical frameworks and research results including contributions are offered. The concluding chapter focuses on the main results and implications, also suggesting further research.

2. THEORETICAL BACKGROUND

In this chapter, literature on diversity management and human resource management is reviewed as the main theoretical fields of the dissertation. After presenting their relation and combination in the light of different diversity management paradigms, global diversity management and Finnish context for diversity are covered.

2.1 Diversity management

This section covers the concept of diversity and different approaches to its management. It also introduces different diversity management paradigms.

2.1.1 Concept of diversity

Diversity in working organizations is often connected to the composition of a workforce as a mixture of employees by paying attention only to demographic factors. Mor Barak (2005:124) has found three definitions of *diversity*: narrow, broad and conceptual rule. When narrowly defined it concerns differences relating to age, gender, disability, race, ethnicity, and, more broadly defined consisting of all characteristics and features of people including capabilities, personality, education, religion, culture, language, lifestyle, marital status etc. (Cox 1993; Kandola & Fullerton 1994; Kossek & Lobel 1996; Mor Barak 2005). According to Humphries and Grice (1995) health, sexual preference, body size, family background and shape are also categories for grouping people. When, for example, HR systems are under investigation, other forms of diversity, along with the most recognized types of ethnicity and gender, are also important (e.g. disability, family structure, sexual orientation) as they impact on attitudes, behaviour or ability to work (Kossek & Lobel 1996). All-inclusive diversity (Thomas 1995) is the broadest view to diversity and is apparent in differences of perspectives, perceptions or actions (Mor Barak 2005) e.g. in working style. All differences with their characteristics are typically either visible or invisible (Moore 1999).

In narrow, traditional forms of diversity, employees are considered members of different social identity groups (Thomas & Ely 1996). Group identities according to Cox (1993) refer to a group with collectively shared norms, values and traditions, which are different from those of other groups. However, e.g.

nationalities, ethnic groups and their boundaries are not stable on grounds of racial, linguistic or cultural characteristics. Instead, connections to various groups lead to a construct of many identities. For instance, ethnicity is not a fixed characteristic, but may potentially change, given certain circumstances (Allardt & Starck 1981). People have thus increasingly multiple cultural identities (Pilkington 2001) and, therefore, they no longer necessarily 'fit' into existing categories. On these grounds, different types of diversities in people can also be considered as social constructions (Allardt & Starck 1981; Nemetz & Christensen 1996; Omanovic 2002; Caproni 2005). Because diversity is a complex issue, Omanovic (2002) suggests referring to Burrell and Morgan (1979) to approach it from different perspectives when studying management issues in order to reveal new insights and to understand better how an organization manages it. These perspectives are functionalist, social constructionist (interpretative) and critical perspectives. A functionalist, normative perspective to diversity implies that organizational structures are gender and ethnicity neutral promoting a unitary view of organizations. The differences of people such as sex, race, nationality and class are natural, essential categories and independent variables (see also e.g. Caproni 2005) supporting the traditional classification of grouping people. Juuti (2005) states that positivist organization and management research aims to offer arguments, for instance what multiculturalism is, by positioning otherness and the differences of people, directing its rightness conceptions and the 'truth'.

When diversity is interpreted as a social construction through words, symbols and behaviours of people it supports a pluralistic view as a process of language, meanings or symbolic actions (Omanovic 2002). From this perspective, diversity exists as a social construction only in interaction with others; it is a product of social action. Essential is what one does, not what a person is (see also e.g. Caproni 2005). When diversity is approached from a more critical perspective, the status quo of gender, race, ethnicity or class is criticized, as the differentiation between groups is power related (Omanovic 2002). Diversity can therefore be considered as a construction that challenges existing dominant structures; organizations are constructed realities with a vested interest, not neutral, and challenged in maintaining existing power structures as well as present diversity constructions (*ibid.*). This perspective emphasizes reality re-construction and emancipation of marginalized groups.

Moore (1999) argues that diversity is context dependent, selective and relative, it offers a base to segregate people into certain kinds of jobs or organizational levels keeping up vertical or horizontal job segregation (cf. Aaltio-Marjosola

2001; Forsander 2002 in the Finnish context). Diversity, as noticed, is a complex, multidimensional concept as a whole. It is a plural term with different perceptions in different organizations, societies and national cultures without any unitary meaning (Cassell 2001; Omanovic 2002; Caproni 2005). Accordingly, the various understandings and meanings of diversity affect the way how people are treated and managed in an organization.

In this dissertation, the definition of diversity varies across the articles. Thus, in articles one, two and three, diversity is limitedly defined and approached from a narrow perspective as cultural and ethnic-based workforce diversity. This is due to the first pilot study being focused, especially on the implications of emerging cultural diversity for HRM, while in articles two and three, the organizations under investigation were participating in an EU-project which focused on developing cultural diversity issues. In article four, diversity is defined from a broad perspective (a mixture of people), because the organization under study was launching a global diversity management programme, which aimed to support all kinds of diversities. These different choices across articles thus reflect different interpretations of and perspectives to diversity. Next, the management of diversity is reviewed and defined in light of its developmental phases and historical background.

2.1.2 Different approaches to managing diversity

This section introduces three different kinds of approaches to managing diversity: *equal opportunities*, *diversity management* and *an ethical, learning oriented approach*, which result in different definitions of the management of diversity. As mentioned earlier, the management approach based on *equality/equal opportunity legislation* (EO) and *diversity management* (DM) form the two traditional approaches to deal with workforce diversity issues (Kirton & Greene 2005; Kandola & Fullerton 1998; Thomas & Ely 1996). The first legislative management approach started in the USA in the 1960s as Equal Employment Opportunities (EEO), commonly called *Equal Opportunities* (EO), and followed by Affirmative Action (AA) in the 1970s. The former (EEO), can be defined as a means to promote employment opportunities and treatment of minorities in the labour market, the latter (AA) the politics of positive actions, the aim of which is to employ and advance minorities by means of quotas and prevent or avoid discrimination (Kirton & Greene 2005; Kandola & Fullerton 1998). The EO approach is said to be based on redressing past inequities (Dass & Parker 1999; Lorbiecki 2001; Gagnon & Cornelius 2002) and on social justice (McDougall

1996) representing a reaction against AA. The different streams within EO comprise liberal and radical approaches (Jewson & Mason 1986), through which organizational justice can be pursued. The first refers to procedural justice (fairness of the decision making processes), equality of opportunity and individual merit, while the second refers to distributive justice (fairness and equality of the outcomes or the distribution of rewards and resources) and positive discrimination (Jewson & Mason 1986; Gagnon & Cornelius 2002).

In many EU (European Union) countries (e.g. in UK, Scandinavia), equality legislation has first concentrated on gender, and then broadened to the wider concept of equality of people, in spite of background. The EU is vigorously committed to promoting equal treatment in employment and workplace equality (Mor Barak 2005) by launching anti-discrimination directives (Council Directives 2000), which must be implemented into EU country legislation. At the core of the legislation is the prevention of workplace discrimination and the requirement that organizational justice is present. Direct discrimination refers to a less favourable treatment of a person in a comparable situation to another, while indirect discrimination refers to barriers to equal participation such as an apparently neutral provision and practice or a particular disadvantage compared to other persons (see Council Directive 2000/43/EC implementing the principle of equal treatment between persons irrespective of racial or ethnic origin and Council Directive 2000/78/EC establishing a general framework for equal treatment in employment and occupation).

The focus, from the legislative point of view, in advancing workforce equality has become an issue of *Diversity Management* (DM). As a concept, diversity management is new, having its origin in the USA in the mid to late 1980s spreading further to Canada and UK in the 1990s and later to other countries in Europe. DM emerged when it was noticed that the American labour market will become more diverse; e.g. more women and ethnic minorities are entering and white males will become a minority. These adjustments are due to the changing demographics affecting the composition and age profile of the workforce, expanding the labour pool to include disadvantaged groups and the increasing average age of the working population (Kandola & Fullerton 1998; Cassell 2001; DeNisi & Griffin 2001). In addition, the intensification of globalization and global competition has affected a need for a new labour force and global organizations have recognized the value of diversity (Konrad 2003). According to Humphries and Grice (1995), the staff pattern and the overall diversity construction changes globally, implying that employers will need to use a more diverse employee pool in the future, however, in choosing the 'best ones', it is

justified to do so for business reasons. These reasons are recognized as well in Europe for the intensification of managing diversity (Kandola & Fullerton 1998; Simons 2002; Kirton & Greene 2005).

On these grounds diversity management can be defined as a voluntary means to manage a diversified workforce for the benefit of an organization. Widely used principles of diversity management are defined by Kandola and Fullerton (1998: 19). They argue that managing diversity "is founded on the premises that harnessing the(se) differences of people will create a productive environment in which everybody feels valued, where their talents are being fully utilised, and in which organizational goals are met".

Recently, a third, more *ethical approach* to diversity issues has brought new dimensions to the management discussion. The increasing awareness of demographic changes has contributed to a need for a 'diversity paradigm shift' (Lundgren & Mlekov 2002). Future uncertainty is also said to address a necessity for creating new ways of attracting, retaining and motivating people (Kossek & Lobel 1996; Thornhill et al. 2000; Watson 2004). That is why the 'new management agenda' suggests focusing on learning from diversity in order to gain new perspectives and ways to do work (Thomas & Ely 1996). An ethical approach also includes offering equality of choice and freedom (e.g. trade unions membership, decision-making, fair compensation, training and career opportunities, transparency, security) through recognition of human capabilities (talents, gifts, competencies, readiness to act) that enable each person to function to their full extent within an enabling environment instead of offering equality for opportunities (Gagnon & Cornelius 2002). These latter arguments are based on the equal capabilities theory by Nussbaum and Sen (1995), according to which everyone has needs to fulfil both human rights and human capabilities; everyone is a bearer of value (Gagnon & Cornelius 2002). Particularly, it is argued, that the failures of not meeting the moral, legal and economic goals of an organization in managing diversity (Cox 1993) can be the missing ethical foundation: "Unless an organization is able to articulate clearly the ethical basis upon which its approach to managing equality and diversity is ground, there is a strong possibility that inconsistencies in strategy, policy development and practice will result" (Bassett Jones 2002: 60), or a lack of a strong moral and ethical commitment to diversity and not seen as only tangible benefits (Mor Barak 2005: 222).

Additionally, one of the basic dilemmas of the different approaches or definitions of diversity and equality are considered to derive from the fact that

employers and employees can have different assumptions and perceptions (Omanovic 2002) including organizational justice as a whole (Bassett-Jones 2002). Therefore, for instance, Gagnon and Cornelius (2002) stress 'felt fairness' and fair treatment (equitably and fairly without discrimination) arguments, which mean that equality strategy, policies and practices, in addition to being equitable, must also be felt to be fair and experienced as equal by employees in both content and practice. These views are linked to inclusion, which focus on the experience of being an integral part of the organizational system in both formal and informal processes (Mor Barak 2005: 149), or acceptance and treatment of a person as an insider by others (Pelled, Ledford & Mohrman: 1014). Empowerment and enabling working cultures are thus argued to be the key elements in managing diversity (Gagnon & Cornelius 2002; Thomas & Ely 1996).

The described different diversity management approaches above, along with their development phases basically determine, if organizations treat a diverse workforce by enhancing 'sameness' or 'difference'. In this dissertation, *diversity management* is approached from multiple perspectives as the management alternatives of a diverse workforce, which is based either on legislative or voluntary measures. Next, the characteristics and differences between EO and DM approaches are discussed in detail.

2.1.3 Managing 'sameness' versus 'difference'

This section reviews detailed EO and DM approaches, often seen as competing and contradictory (Noon & Obgonna 2001: 2), for example, if diversity is liability vs. privately optimal due to external pressures (Baron & Kreps 1999). The differences and similarities between EO and DM, as well as the rationale behind the management approach, are addressed by many authors (e.g. Humphries & Grice 1995; Liff & Wacjman 1996; McDougal 1996; Liff 1997, 1999; Kandola & Fullerton 1998; Wilson & Iles 1999; Maxwell, Blair, & McDougall 2001; Noon & Obgonna 2001; Kirton & Greene 2005). McDougal (1996: 64) states that the difference between EO and DM is in philosophy and the way they are approached within organizations. Maxwell et al. (2001) consider, whether managing diversity is only a change in the language of equality or, are the concepts and applications different from each other. They point out the areas of differences, which are in the *force* of change – if it is internal/external: global, societal, legislative or voluntary, in the *perspective* – if it is strategic or operational and in the *focus* – if it concentrates on issues of avoiding

discrimination or maximizing everybody's potential and therefore needing effective management.

The rationales, as to the focus of managing diversity, and for choosing either an equality or diversity management approach, is said to be, in the EO approach, the need for social justice as a moral case, and in diversity management, the needs of the organization as a business case (Noon & Obgonna 2001). That is why the basic differences between the legislative or voluntary initiatives depend on, if enhancing diversity is seen and used as an obligation to deliver equality, or if it is seen as a means to gain and search for business benefits. Indeed, the reasons why organizations manage diversity today are found to be: improving business (productivity, competitiveness), better work relationships, ethical and social responsibility or legal concerns (Arvey, Azevedo, Ostgaard & Raghuram 1996; Wentling & Palma-Rivas 1998; Wilson & Iles 1999; European Commission 2003).

In addition, there are also other factors that create different views on diversity influencing its management practices. These are e.g. the tradition and culture within the organization, deriving from its history and the persons who created the values and perceptions of insiders/outsideers, as well as the systems supporting this view (Cox 1993; Maxwell et al. 2001).

Equal Opportunities approach

The aim of EO is to protect the disadvantaged groups (women, ethnic minorities, aged and disabled people) against inequality, injustice and discrimination in employment and advance minority groups with equal opportunities (e.g. Kandola & Fullerton 1994; Liff 1997) by legislative forces. Gender and ethnicity are said to be the most powerful origins of unfair treatment and therefore, these minorities also suffer the inequalities of power (cf. Herriot & Pemberton 1995; Aaltio-Marjosola 2001; Aaltio & Kovalainen 2003). The purpose of EO is, however, argued to be unclear; because according to Kirton (2003: 9), it can be equal access (equality of procedures), equal treatment or equal outcomes (equality of distribution), but all are argued to be needed. EO is further perceived as a negative perspective for the disadvantaged or the discriminated, resulting in penalties in case of failure, whereas diversity management is a positive perspective to the differences of people emphasizing the valuing of diversity (Maxwell et al. 2001; Kirton 2003). Management is said

to be rejected in EO, because it is based on liability (Maxwell et al. 1995; Liff & Wajckman 1996; Wilson & Iles 1999).

McDougall (1996) argues that the effects of EO are frustrating with a slow change speed, and ponders whether diversity management is only semantic. EO approaches are further criticized for failing to achieve equality and tending to assimilate people to fit in to existing organizations and cultures, and as being a reactive approach (Kandola & Fullerton 1998) having limited impact (Kirton 2003). The causes of the failure are, in addition, due to EO being based on externally driven policies and practices, which are outdated for future challenges (Wilson & Iles 1999) and which are unable to change perceptions and practices. The differences of people should be recognized, and equality policies should be based on individuals rather than groups (Liff & Wajckman 1996).

The effectiveness of EO policies and practices are additionally questioned, if they solely remain statements and formal policies (Cassell 2001). Organizations are assumed to adapt their human resource activities to the requirements of EO and also AA in their policies and practices (Kirton & Greene 2005), and through pressure groups (e.g. unions) the fulfillment of these externally driven organizational changes (e.g. in policies and practices) rest with personnel or HR practitioners of these policies (McDougall 1996).

Moreover, Thomas and Ely (1996) criticize that diversification is not desired in the EO approach and its influence on work or culture is undermining its own capacity to learn from employees and improve strategies, processes and practices hindering people from identifying with their work. Richards (2001) states, that as a whole, in spite of the questionable effectiveness or merit of equal opportunities policies they are generally seen valuable as such and even provide sufficient evidence of commitment to equality.

Diversity Management approach

Equality means treating everybody the same (McDougall 1996; Thomas & Ely 1996), while the aim in *diversity management* is the acceptance of a diverse population to form the workforce and the realization of the potential of all; not favouring any groups (Kandola & Fullerton 1998). Diversity can be perceived as a long-term strategic business factor having a significant impact on productivity, motivation and innovation, market competitiveness, teamwork and customer loyalty (Bagshaw 2004). Other authors consider diversity

management, for example, as a way of managing increasing domestic multiculturalism (Deresky 2000; Jackson & Joshi 2001), of achieving a strategic competitive advantage (Ancona, Kochan, Scully, Van Maanen & Westney 1996), or of empowering and enabling employees (Gagnon & Cornelius 2002).

The acknowledged arguments of Cox and Blake (1991) for gaining competitive advantage from diversity are based on cost savings (e.g. retention, better utilization), reputation for attracting prospective employees, improved international and domestic marketing, creativity, problem-solving and flexibility (see also Wilson 1996; McLeod, Lobel & Cox 1996; Richard 2000; Deresky 2000; Cunningham & James 2001; Maxwell et al. 2001). Especially, from a global perspective the importance of diversity is recognized as being the key in gaining competitive advantage and success in international markets (Florkowski 1996; Baron & Kreps 1999; Schneider & Barsoux 2003).

On the other hand, Kandola and Fullerton (1998) consider the benefits of diversity that employees offer their best, enhance innovation, creativity, serve and know the customers or improve quality, debatable. Therefore, even though it is widely argued that a diverse workforce can become a source of competitiveness (aid profitability, increase efficiency and effectiveness or improve image, work environment, relations, job satisfaction, morale, productivity etc.) (Kossek & Lobel 1996; Kandola & Fullerton 1998; Wilson & Iles 1999; Kirton & Greene 2005), it can only be realized if through hiring the 'best', people are valued, motivated and developed with the help of an enabling organization and flexible working arrangements (Kandola & Fullerton 1998). That is why valuing differences is linked to an organization's culture and values (Bagshaw 2004). Leach, George, Jackson & LaBella (1995), for instance, emphasize working with diversity rather than managing diversity because managing is exercising control and direction, while working challenges the organization to be curious, interactive, reflective and experimental.

On these grounds, it is acknowledged that the maximizing of potential and valuing diversity include the creation of proper conditions and cultural transformation: adaptation and changing organization, not only individuals, and effective management styles (Kossek & Lobel 1996; Kandola & Fullerton 1998; Wilson & Iles 1999). Gagnon and Cornelius (2002) suggest building managing diversity strategies based on EO legislation. However, due to lacking empirical evidence it is argued whether diversity can facilitate organizational efficiency at all (Lauring & Ross 2004). In summary, the basic question in managing diversity effectively is considered to be moving away from

assimilation, to the acceptance and utilization of individual differences (Kandola & Fullerton 1998), which is approached in literature in various alternative ways. These controversial or alternative views to managing diversity have created paradigms, which are now turned to.

2.1.4 Diversity management paradigms

This section covers different alternative perspectives and categories of organizations as to their diversity management approach. For instance, classifications or typing of organizations along with HRM issues, can be done according to the strategic direction to equality, equity and diversity issues in relation to the degree of acculturation or multiculturalism (e.g. Cox 1993; Herriot & Pemberton 1995; Thomas & Ely 1996; Wilson 1996; Kossek & Lobel 1996; Kandola & Fullerton 1998; Moore 1999; Gagnon & Cornelius 2002; Kirton & Greene 2005).

The acculturation process is the basis for many classifications. According to Berry, Poorting, Segali and Dasen (1992), it means that the members of an organization can be marginalized, segregated/separated, assimilated or integrated into the organization depending on the attitude of an organization, how it supports and allows the maintenance of their own identity/culture and the interaction/relation with others in the dominant culture. In marginalization, the maintenance of one's own identity and interaction are not supported. In segregation, the maintenance of one's own identity is allowed, but interaction with others not supported. In assimilation, the maintenance of one's own identity is not allowed, but the interaction with others is, and lastly, in integration they are both allowed and supported.

Herriot and Pemberton (1995) classify, for instance, organizations from the point of view of organizational responses to diversity, which are *assimilation, protection and valuation*. Assimilation occurs through recruiting and retaining people similar to existing ones in order to maintain status quo. Protection of diversity occurs through offering minorities legislative security and equal opportunities of employment, while valuing diversity implies seeing people as potential sources of creativity and innovation. Moore (1999) calls the different diversity management approaches *blindness, hostility, naivete or integration*. These approaches are reflected in attitudes to diversity being in blindness; neutral as a non-issue, in hostility; negative thriving for sameness, in naivete; positive encouraging diversity and in integration; realistic in relation to positive

outcomes of diversity. These attitudes impact, how organizations support diversity in terms of training, working conditions or adjustments for individual needs.

According to Cox (1993), one of the most influential researchers in the field, the move towards multiculturalism includes all the various types of diversities to be integrated. He has categorized organizations as *monolithic, plural, and multicultural*, using six dimensions (organizational culture, acculturation, structural integration, informal integration, institutional cultural bias in HR systems and intergroup conflict) to describe them. Monolithic organizations ignore or discourage diversity, segregate and assimilate minorities by doing what is morally right, (e.g. separation of work and family-life is dominant). In this type of an organization, employees are demographically and culturally homogeneous. A plural organization is more inclusive and tolerant towards diversity, however assimilation and institutional bias are still prevalent as well as inconsistencies in HRM. Barriers are slowly removed to improve opportunities for minorities. A multicultural organization according to Cox (1993) is the ideal organizational type for especially valuing cultural diversity and fostering cultural differences. Pluralism is the target in acculturation. Institutional bias is eliminated or minimized in HR systems, structural and informal integration is full. Inter-group conflicts are minimized as well and the working environment enables employees to achieve their maximum potential.

Kirton and Greene (2005) have identified that the ways of managing equality and diversity vary from public statements to formal and more comprehensive policies to be implemented in practice. They type organizations accordingly into *negative, compliant, minimalist/partial and comprehensive proactive* organizations. Negative organizations reproduce inequality by having no EO or diversity policy or by seeing no benefit to diversity. The following approaches are to some extent or other confronting discrimination. The minimalist/partial organization declares to be an EO employer valuing diversity. It has a narrow business case approach, not necessarily any written policy or measures to support diversity and equality, neither is management interested in the issue. Compliant organizations have a narrower equality and diversity approach still. However, they have developed formal EO policies and implemented them, most likely concentrating on recruiting. Comprehensive proactive organizations address both the business and social justice case. They may actively promote equality and value diversity through positive actions by implementing 'best practice' measures and monitoring their outcomes. Equality and diversity might be related to individual and organizational performance objectives.

Multicultural or comprehensive proactive organizations can be argued to be ideal models for managing diversity through the recognition that increasing diversity only by recruiting, does not make an organization multicultural (Cox 1993; Mlekov & Lundgren 2002). Moreover, critical approaches to diversity management stress, among others, the recognition and importance of power relations, decision-making opportunities and influence, equality of capabilities, resistance to the romantic celebration of diversity, show-casing and postcolonial attitudes (e.g. Prasad & Mills 1997; Kersten 2000; Lorbiecki & Jack 2000; Noon & Obgonna 2001; Lorbiecki 2001; Gagnon & Cornelius 2002; Litvin 2002; Prasad & Prasad 2002). On the other hand, diversity management is also seen as one option when recruiting people who can adapt to change or to manage and cope with future change by increasing an organization's capacity with a mix of people with varied skills, experiences, values and culture (Thornhill et al. 2000). It can also be, ultimately, considered to become a normal management function, totally integrated into business strategy and processes, instead of a specific area of study (Lauring & Ross 2004).

The characteristics of these various alternatives and classifications to managing diversity can be found and presented under *diversity management paradigms*, developed by Thomas and Ely (1996) distinguishing organizations as to the degree and integration of diversity (Roberson 2004). Their approach is divided on the basis of the empirical study into three phases of diversification as paradigms: *discrimination-and-fairness*, *access-and-legitimacy* and *learning-and-effectiveness paradigm*. Thomas and Ely (1996) argue that diversity should be considered from a more holistic perspective, moving from identity-groups towards new types of perspectives and meaningful approaches to the work that the individuals in these groups offer by learning from diversity. They have later tested and developed the theory of the effects of the paradigms in a work group context and functioning (Ely & Thomas 2001), naming in that study, the most advanced paradigm as the *integration-and-learning paradigm*. Dass & Parker (1999) added to the perspectives of Thomas and Ely (1996) in their study on strategies for managing human resource diversity a fourth perspective: *the resistance perspective*.

The three paradigm approach of Thomas and Ely (1996) and the four perspective approach of Dass and Parker (1999) are widely acknowledged, referred and applied classification in studies of workplace diversity and its management (e.g. Dietz & Petersen 2006; Kossek et al. 2006; Roberson 2004; Singh & Point 2004; Lorbiecki 2001; Barinaga 2002). For example, it is used to explain the structures, systems and policies to support diversity and inclusion

(Roberson 2004), and to study diversity and equality statements on the websites of European organizations (Singh & Point 2004). The four perspective approach was also found suitable for this study and called four paradigms or four paradigm perspectives. Its utility is that it allows the examination of the strategic diversity management responses of organizations, which Dass and Parker (1999) define as *reactive, defensive, accommodative and proactive*. More precisely, the model makes possible not only to identify strategic choices, but also the mechanism behind the formulation of a specific managing diversity strategy. Namely, it is explained to depend on external environmental, societal and internal factors in relation to the perspectives of diversity (benefit/cost, opportunity/threat, relation to acculturation) and its priority varying from marginal to strategic, impacting also on operational level activities (legislative/voluntary). When the internal and external pressures for diversity are high, its priorities and responses on strategic and on operational levels match they can enhance organizational performance. This inability entails economic and non-economic costs. Thomas and Ely (1996: 40) state further, that “workplace paradigms channel organizational thinking in powerful ways”.

However, the diversity management paradigm perspectives have not been extensively explored in connection to the activities of HRM or the HR function in organizations. The contents of paradigms are covered in more detail along with respective HRM activities in article two of the present dissertation and along with training and development in article three. Next, the four level paradigm approach of Dass and Parker (1999) and Thomas and Ely (1996) is briefly introduced, with reference to other authors as well.

Within the first ‘resistance’ paradigm, diversity is denied as a non-issue and organizations aim to maintain the status quo in the absence of any pressures to increase diversity (Dass & Parker 1999). Inequality is thus reproduced without any equal opportunities or diversity policy (Kirton & Greene 2005). The focus in the second ‘discrimination-and-fairness’ paradigm is on equal opportunities and fair treatment through legislative actions and by treating everybody the same (Thomas & Ely 1996). That is why organizations mostly concentrate on recruitment as a means to increase the numbers of individuals belonging to disadvantaged groups (Kandola & Fullerton 1998), for instance, increasing the number of women in management positions (Kirton & Greene 2005). The focus is as well on measuring the goals of hiring, on retention, mentoring and career-development programmes for disadvantaged groups and training other employees to respect cultural differences (Thomas & Ely 1996).

The third 'access-and-legitimacy' paradigm focuses on a search for business benefits through access to new customer markets (Thomas & Ely 1996), and maximising everybody's potential as a source of competitiveness by aiming to create a culture and environment of respect (see e.g. Cox & Blake 1991; Kandola & Fullerton 1998; Maxwell et al. 2001). In implementing diversity, it mainly focuses on increasing awareness or interaction, being, however, unable to change the culture (Moore 1999; Easley 1999).

The fourth 'learning-and-effectiveness' paradigm stresses the linkages of diversity with work and employee perspectives, moving from identity-groups towards learning opportunities and diversified work in order to gain the benefits of diversity (Thomas & Ely 1996). In this paradigm, egalitarian organizational culture is seen as a means to higher standards of performance, in which employees are viewed as valuable resources, strategic assets and an investment (cf. Ely & Thomas 2001; Cornelius et al. 2001; Caproni 2005). When diversity is considered strategically important and internal or external pressures are high, its strategic and operational implementation becomes proactive and more systemic (Dass & Parker 1999). Lorbiecki (2001) argues that in order to realize the objectives of the learning-and-effectiveness paradigm, the power relations need to be addressed, as introducing different views to work, or into strategic areas, can be resisted by the power holders, potentially threatening their interests. Also, social, political and emotional traits of individuals cannot be put aside. On these grounds, through recognizing the power related factors, it is possible to affect inequalities and genuinely promote diversity.

All in all, the paradigms impact how organizations react to diversity. The fundamental differences of these paradigms are in their conception of diversity, how it is interpreted and reflected in management. Learning and simultaneously reflecting has been identified elsewhere to be either reactive or proactive, which refers to the interaction between learning and respective outcomes in terms of single or double loop learning (Argyris & Schön 1978). For example, in an equality and diversity context, reactive and proactive or reflecting positioning of an action has been identified in examining how discrimination claims were managed (Wooten & James, 2004: 26) and how unjust acts were managed (Cropanzano, Chrobot-Mason, Rupp & Prehar 2004: 121). Reactivity refers to using existing policies or procedures to correct a certain state (single loop interventions), proactivity (e.g. in processes, operations or strategy) relates to rethinking and replacing existing procedures with effective approaches (double loop interventions), if the culture and

normative procedures are considered to be the cause of a problem (Wooten & James 2004). 'Reactivity' of actions towards diversity is to be found in the resistance and discrimination-and-fairness paradigm in terms of their *paradigm-consistent thinking* 'doing things the right way as we are used to' with an outcome of incremental changes (Flood & Romm 1996; Cornelius 2002;). This can be recognized for example, in maintaining the status quo and using existing policies or procedures. 'Proactivity' of actions towards diversity can be found in the access-and-legitimacy paradigm as it reflects diversity, however, mainly at the strategic level, while the learning-and-effectiveness paradigm reflects proactively diversity at the strategic and operational levels representing *paradigm-challenging thinking* by 'doing things differently by challenging the current mindset' with step changes (Flood & Romm 1996; Cornelius 2002). Cropanzano et al. (2004:127) consider the step towards proactivity to contribute, for instance, to diversity training becoming more effective when coupled with changes in organizational policies and practices in changing culture and foster fairness issues and supported by properly designed diversity policies as "an integral part of an effective overall response".

The learning-and-effectiveness paradigm suggests that learning from diversity can contribute to its effective use addressing the creation of supportive working environment and culture. Justifications for a cultural change, are for instance, that culture can add value to an organization's customers and improve its competitive advantage affecting business success and performance, implying that it requires a new ways of doing things (Ulrich 1997). Proactive changes can, therefore, lead to *the creation of a new paradigm*: new mental models and processes, (triple loop interventions) by influencing the shared mindset of individuals in order to transform organizational identity and culture with transformative, radical or fundamental changes 'doing things differently through radical change' (Flood & Romm 1996; Ulrich 1997; Brockbank 1999; Thornhill et al. 2000; Cornelius 2002). Richards (2001), for instance, advocates following the ideas of Cockburg's (1989) 'long agenda', to approach equal opportunities as a transformative change which addresses deeper and structural changes in workforce composition, under-represented groups' access to power, influence and decision-making as well as the commitment of all to continuous change for true significant cultural change. However, for a change approach to be transformational, 'deep' or fundamental deals with the fundamental identity (Ulrich 1997) and ethos of an organization: to create a new mission, alterations to values and beliefs with fundamental implications for power, structures, working methods and the organizational paradigm as a whole (Thornhill et al. 2000).

In summary, various views on diversity can classify organizations into different paradigms according to the perception, attitude or motives to deal with it which, when linked to organizational culture, history, tradition, reputation or values can further impact the relationship with insiders/outside, acculturation or management responses (Cox 1993; Dass & Parker 1999; Maxwell et al. 2001), and not least HRM. The diversity management paradigm approach was found useful as a framework for the purposes of this study in order to identify how diversity impacts HRM and how diversity and HRM are related within organizations. In the following section the focus is on HRM issues in diversity management.

2.2 Human resource management of a diverse workforce

In this section, the activities of HRM are discussed first, followed by the review of their reactivity and proactivity. After which, the focus shifts to the implications of diversity for HRM and the relations between different diversity management paradigms and HRM. Lastly, the training and development in diversity management is discussed.

2.2.1 Human resource management activities

This section introduces the developmental phases of human resource management and the different operational and strategic HRM activities, along with their respective definitions.

The organizational approaches of HRM, originating in the USA, in managing the workforce have changed during the course of the past 50 years and have been affected by the cultural and country context (Mayrhofer & Brewster 2005; Ferris, Hochwarter, Buckley, Harrell-Cook & Dwight 1999). In literature, there are various theoretical perspectives (theories, models, typologies and roles) on HRM, which concern and define the content and implementation of HRM related issues (see e.g. Beer, Spector, Lawrence, Quinn, Mills & Walton 1985; Legge 1989; Guest 1987, 1989; Schuler 1992; Huselid 1995; Ulrich 1997; Schuler, Jackson & Storey 2001; Storey 2001). The approach to the management of people has moved from functional, reactive *personnel management* and administration, concentrating on the hiring and payroll function, to *managing human beings* as a resource and capital to be maintained and developed in order to contribute to

organizational effectiveness (Guest 1987; DeNisi & Griffin 2001; Schuler et al. 2001; Storey 2001).

When HRM first emerged, it was noted that HRM could impact on employee and organizational performance, and later, employees became recognized as valuable assets resulting in the increased strategic importance of HRM and the need for the strategic alignment of HRM (Guest 1987). What HRM and Strategic Human Resource Management (SHRM) are can be defined in various ways. For example, Storey (1995:5) defines it: "Human resource management is a distinctive approach to employment management, which seeks to achieve for competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural and personnel techniques". According to Schuler et al. (2001: 123), a strategic response in HRM means that "HR policies and practices should be chosen to support the implementation of strategic business plans", when linked, define the content of SHRM and distinguishes it from the older practice of personnel management.

There are also various classifications for HRM activities. For instance, according to Schuler et al. (2001), the four main tasks in HRM, as the responsibility of the *HR function* are: managing employee assignments and opportunities, employee competencies, employee behaviours and motivation (Four-Task Model of HRM). These tasks guide the application of specific HRM policies and practices, which together drive the fulfillment of strategic business plans and objectives. The major categories of these policies and practices include planning, recruitment and selection, training and development, performance appraisal, rewarding, health and safety, union relations and organizational change and design (Schuler et al. 2001). According to Beer, Eisenstat and Spector (1985), the outputs of the tasks are then: employee commitment, competence, congruence and cost-effectiveness, in order to realize the bottom line (Pferrer 1995) and to gain organizational efficiency and effectiveness as the primary goals of HRM (Kaufman 2001). This study applies the four tiers of HRM: recruitment, training and development, performance appraisal and rewarding, naming them *the activities* of HRM.

More precisely, through recruitment, it is ensured that a sufficient number of people are employed including how they are attracted and selected. Training and development, for their part, influence how competencies are ascertained, people trained and advanced. By means of appraising, the performance along with behaviour is assessed, whereas rewarding ensures that people are motivated and retained by means of both financial and non-financial

compensation. Additionally, HRM can be used in different ways in organizational change and design. Personnel changes (e.g. recruitment, selection, severance) often in connection with major rapid strategic change, education and employee involvement, or changes to structures and systems (such as rewarding, performance, career management) and cultural change which of its own nature is slow to change (Thornhill et al. 2000: 23). However, when HRM is used effectively in organizational change, the change should be addressed in the design of all HRM policies and practices within each of the basic four tasks (Schuler et al. 2001). This can ensure that they are integrated with each other and linked to strategic business objectives and plans in light of the vision, mission, values and general strategy of the organization.

In this dissertation, the *operational* HRM activities particularly refer to such tasks of HRM, which are considered to be routine, everyday delivery of HRM basics (Brockbank 1999). Article one of this present study, investigates in more detail, the kinds of changes which have occurred within HRM, especially, in recruitment, training and development, performance appraisal and rewarding due to emerging cultural diversity. Additionally, its implications for HRM strategy are studied. Next, the focus is shifted to strategic level HRM.

That which makes HRM strategic is argued to relate to the integration of HRM with business strategy, the congruent integration between HRM activities and seeing employees as a strategic asset for gaining competitive advantage (Hendry & Pettigrew 1986; Guest 1987; Pfeffer 1995; Ulrich 1997; Schuler et al. 2001; Storey 2001; Bratton & Gold 2003). The findings of Ferris et al. (1999) indicate, how strategic HRM is involved and applied (in performing its tasks). They found that research focused on how SHRM can contribute to the financial performance, or on strategic choices and HRM in managing the competitive environment, or on external fit (with strategy) and internal fit (consistency of HRM practices) of HRM strategies and policies influencing organizational outcomes. (See also e.g. Guest 1987, 1989; Butler et al. 1991; Purcell 1999.) It is further argued that management of internal and external environments imply to strategic HRM and ensuring HRM's compliance with laws and ethical employee relations (Noe et al. 1997: 33). In this dissertation *strategic HRM activities* refer to strategic level HRM. These activities, as described by Brockbank (1999), involve the following five criteria; adding long term value, integrating multifaceted activities, focusing on critical high value-added business success factors, being comprehensive and being planned.

Moreover, both operational and strategic HRM activities can be performed either reactively or proactively, which also indicate their adding value (Brockbank 1999). Baron and Kreps (1999: 506), for instance, state due to the nature of the tasks of HRM, “at the risk of gross oversimplification”, that when they (e.g. as formulation and implementation of HRM strategy and policies, record keeping, compliance with governmental regulations e.g. equality, personnel service delivery) are bundled together in traditional HRM organizations, they are mostly routine and perceived (by managers and employees) as adding little value justifying a need for change towards a more strategic level of HRM. Ulrich (1997) points out that when HRM becomes strategic, it is not only aligning HRM strategies and practices with business strategy, but it first translates business strategies into organizational capabilities and then into HRM practices/priorities. A culturally diverse workforce can be a desired, critical capability, which enables a company to add value for customers in unique ways (ibid).

The alternative operational and strategic level activities of HRM are examined next with the help of the framework on *reactive and proactive HRM activities* (Brockbank 1999). Brockbank (1999) has analyzed the evolution of HRM trends and how they have advanced from operational to strategic. It is argued that the change within its activities implies how HRM reactively or proactively can contribute to competitive advantage and strategic value. He divides HRM into two levels: strategic/long-term and operational/day-to-day activities, and argues that reactivity versus proactivity of these activities indicates the level of adding value to an organization. The different dimensions of competitive advantage of HRM activities have developed in sequential phases. Moving from a reactive operational level, through proactive operational and reactive strategic levels of HRM, towards a strategically proactive HRM. This model has been awarded (HRM 2001), acknowledged and applied in other studies (e.g. Kesler 2000; Collins 2002; Raunio 2001; Thite 2004; Ruona & Gibson 2004; Krishnan & Singh 2004). Brockbank’s (1999) framework is chosen for the purposes of this study in article two, because it can be used as a measurement tool, not only for examining HRM’s involvement and application in managing diversity, but also for finding out the contribution of the HR function in adding value in terms of diversity. Next the different reactive and proactive operational and strategic HRM activities are examined referring to other authors as well.

2.2.2 Reactive and proactive human resource management

Operationally reactive HRM concentrates on implementing the basic tasks of HRM by administration and maintaining the 'everyday routine'. Whilst being a commodity in comprehensive HRM, this adds little value and gains little competitive advantage (Brockbank 1999; Baron & Kreps 1999). These kinds of HRM activities imply hiring, administration of benefits, skills training, which are often described as traditional HRM activities (Ulrich 1997; Wintermantel & Mattimore 1997; Thornhill et al. 2000; Brockbank 1999) being unrelated to a company's core business needs and therefore unable to participate within strategic management processes (strategy formulation and implementation) (Noe et al. 1997: 45). Baron and Kreps (1999: 505) argue that traditional HRM operates with uniform HRM standards within all its influence areas. However, operationally reactive HRM is adopted by relatively few organizations (Brockbank 1999). Even though, for example, recruitment and selection are suggested to be powerful tools for facilitating, sustaining and initiating organizational change when integrated externally and internally, they are found to be limited in their traditional approaches to managing change (Thornhill et al. 2000).

Furthermore, performance appraisal can be affected by cultural beliefs, values, and assumptions of the people who design them, further influencing the development and promotion of employees (Kirton 2003). Valuing according to power holders can thus adjust the content of HRM, as well as prevailing cultural values causing some to feel not valued (Chen & DiTomaso 1996). Therefore, instead of reactively focusing, for instance, on fitting people to present job demands or jobs and preserving the status quo, a conceptual shift towards proactivity is suggested (Thornhill et al. 2000). The objectivity and fairness of operational HRM activities can thus be promoted, which is associated with its ability to conduct changes.

Operationally proactive HRM targets gaining a competitive advantage and improving the basic HRM tasks in design and delivery (e.g. reengineering, ensuring positive morale, outsourcing) in order to enhance productivity, quality and efficiency, i.e. by measuring diversity in promotion of productivity (Brockbank 1999). Such HRM activities can be found, for example, in recruitment and selection if viewed that the workforce can contribute to the strategic goals of an organization. In this case, the activities can be developed and deployed towards tailor-made procedures to be consistent in achieving the strategy, for instance, by focusing on reaching sources of potential (i.e. a diverse

workforce), or on new selection methods to reflect the changing patterns of work around defined core competencies (Thornhill et al. 2000). This kind of proactivity thus implies to renewals of HRM activities, not just to update and interpret the existing job descriptions or requirements and usage of standardized application forms (ibid). Proactivity in recruiting can therefore be said to refer to consciously widening the scope of potentials beyond traditional groups (Carrell, Elbert & Hatfield 1995; Konrad 2003). Proactivity is related in training and development to reducing barriers for advancing (Kirton 2003), in rewarding to the usage and understanding of the meanings of both financial and non-financial rewarding in motivating individuals (Barber & Daly 1996), while in performance appraisal it implies a common knowledge of the evaluation criteria (Cascio 1998).

The strategic participation of HRM has been found to change from an isolated reactive administrative function, to only reactively implementing strategy one-way (downstream) to influencing proactively (upstream) business strategy formulation and effectiveness. The latter can occur first through two-way process and then through continuous interaction towards an integrative mode. (Golden & Ramanujam 1985; Purcell 1989; Butler et al. 1991; Noe et al. 1997.) The first approach, however, is also argued to be potentially strategic in nature, insofar as the HR function only operates in a reactive manner in order to support a given strategy (Thornhill et al. 2000). Especially in the latter approach, full strategic integration is argued to imply that various elements and activities of HRM are coherent with each other as well as with the prevailing culture and other organizational functions in order to achieve business objectives (Guest 1987; Baron & Kreps 1999; Thornhill et al. 2000).

The strategic role of HRM appears in the next development phase, when *strategically reactive HRM* supports the facilitation of the business strategy, develops cultural and technical capabilities or assists and facilitates in managing change with the help of its operational activities or implements specific strategies and tactics (Brockbank 1999). Accordingly both traditional HRM (i.e. the basic tasks under its control) and non-traditional HRM (i.e. changing mindset, design of jobs or organization, reengineering etc. not under its direct influence) are suggested to be mutually consistent. For instance, in culture change, HRM management systems are seen as the means of leveraging and driving change by providing change management techniques and processes (Ulrich 1997). Thus, strategically reactive HRM presents downstream (Purcell 1989) or one-way strategic integration (Golden & Ramanujam 1985; Butler et al. 1991; Noe et al. 1997), in which strategic HRM performs top-down

strategies having a reactive and purely “implementationist role” (Boxall 1992: 68).

Justifications behind the need for a change towards a proactive level of strategic HRM are seen in HRM’s capability to contribute in adding value by influencing strategy formulation and its implementation/execution (Ulrich 1997; Brockbank 1999; Baron & Kreps 1999). That is why *strategically proactive HRM* acts by learning about other functional areas and by expanding and enriching the scope of HRM agendas in order to offer strategic business alternatives, impact strategy formulation and create value-added HRM activities (Brockbank 1999). In achieving a competitive edge he further suggests to use the influence of HRM, by which he means culture change and capability creation, among others. For example, proactive strategic HRM can create an innovative or customer-focused culture with the help of staffing, training, development and rewarding decisions, or improving and creating internal capabilities to mirror future external environmental requirements. Therefore Brockbank (1999) argues that HRM itself has the expertise and responsibility or ability to link macro-societal, environmental, customer issues, market demands etc. in creating customer-focused value systems or culture, and that it increases business knowledge for future success. It is also suggested that strategic HRM focuses more on high-value-added judgment in order to provide strategic guidance and to assess an organization’s capabilities in conducting the HRM tasks (Baron & Kreps 1999: 507).

Strategically proactive HRM can be thus described as upstream, two-way or integrative strategic integration of HRM, which aims to influence the strategic direction (Golden & Ramanujam 1985; Purcell 1989; Noe et al. 1997). The two-way relationship also concerns institutional integration, which implies to the strategic integration of the HR function into the organization (Mabey & Iles 1993:16 in Thornhill et al. 2000:100). However, strategically proactive HRM is only adopted by few organizations (Brockbank 1999).

As shown, the emphasis within HRM has changed towards its holistic and proactive strategic and operational use which is linked to its adding value to an organization. The next sections concern the HRM issues of a diverse workforce.

2.2.3 Implications of workforce diversity for human resource management

This section combines the discussions of diversity management and human resource management. It first reviews the impact of workforce diversity on HRM and application of HRM in diversity management. After that, in light of different diversity management paradigms, the reactive and proactive HRM at the operational and strategic level(s) is presented.

Diversity management and human resource management

As noted earlier, it is argued that the diversity of workforces impact HRM, and particularly, challenges its capability to utilize potential of the entire workforce. Another consideration is that not until HRM policy pays attention to the subgroups' different HRM needs, they cannot support diversity by being able to attract, motivate, develop and retain employees and to adapt to environmental changes, new market conditions and technology or societal shifts (Kossek & Lobel 1996). Diversity and HRM are, therefore, linked to each other in various ways.

Indeed, HRM is argued to be an effective internal driver for organizational and cultural changes, because HRM strategy, policy and practices are directly or indirectly affected by managing diversity (Cornelius et al. 2001) and therefore seen as a means to directly or indirectly influence how people are treated (DeNisi & Griffin 2001; Ulrich 1997). The common characteristics that research suggests for management of diversity are the strategic implementation of diversity into the mission, vision and business strategy of the organization as well as inclusion, protection of the merit principle, commitment of management, employee awareness, involvement and diversity measurement (Kossek & Lobel 1996; Tayeb 1996; Wilson 1996; Kandola & Fullerton 1998; DeNisi & Griffin 2001; Kirton & Greene 2005). That is why management of diversity is said to recognize the strategic integration of people as a resource in achieving the business goals and the valuation of diversity for the success of an organization (Kirton & Greene 2005).

These arguments indicate that through linking the so-called business case in diversity to the business strategy, "the concept has similarities to the notion of strategic HRM" (Cassell 2001: 404). Miller (1996: 206) states that managing diversity can be considered as the HRM approach to equality initiatives, whereas Tayeb (1996: 12-13) points out, that in the international context, HRM

policies are bound to be influenced and even dictated in some cases by the diverse origins of their workforce. Altogether, these notions imply that managing diversity, and especially the increase of minority representation, can be considered a strategic imperative linked to HRM (cf. Cassell 2001).

However, there are only a few examples of models, which have combined diversity management to HRM or SHRM to diversity. For instance, Grove, French and Maconachie (2003) have identified four theoretical diversity management approaches in relation to soft, hard and resource-based HRM models indicating different (low/high) levels and approaches of commitment to diversity and to HRM strategy, soft HRM models being more attuned to diversity. Bassett-Jones (2002) combined the usage of external and internal labour markets to the capabilities equality approach and SHRM.

Furthermore it is argued that diversity management addresses in addition to the strategic linkage of diversity to business objectives, systemic integration into and between HRM strategy, policies and practices and not only for instance, to recruiting and training (Kossek & Lobel 1996; Kandola & Fullerton 1998; Caproni 2005). By these measures the desired benefits of diversity (e.g. improved performance, employee commitment, equity, effectiveness or profitability) are seen to be better achieved. Also, the subgroups' different HRM needs and the organization's adaptation to environmental changes can thereby be supported (Kossek & Lobel 1996).

Despite the above arguments, HRM literature, theory, models and systems are said to focus on cultural homogenisation and promoting homogeneity or increasing effectiveness instead of equality and diversity (e.g. Kossek & Lobel 1996; Benschop 2001; Cassell 2001; Kirton & Greene 2005). The valuing of diversity is also considered not to be possible by treating people the same as a homogenous group with standardized and rationalized systems supporting efficiency (Humphries & Grice 1995; Tayeb 1996; Sandoff 2002). For instance, the abstract notion of human beings and employees as a generic category in HRM literature is considered to focus more on the strategic role of HRM and management side to gain productivity and organizational goals instead of 'HR' for human resources (Benschop 2001). Moreover Halsema and Benschop (2001: 13) state that even if there is a demand for change in HRM, "the theories and models of HRM seem blind, deaf and mute to issues of diversity", urging emphasis on more sensitivity to national cultures and diversity in IHRM (International Human Resource Management) as well. More radical perspectives argue that HRM ideology serves unitarist, rather than pluralist

interests (Payne & Wayland 1999). How HRM is then involved and applied in diversity management is turned to next.

Application of HRM in diversity management

The associations of HRM perspectives in diversity management have been recognized in research to relate to the application of HRM initiatives in three ways as identified in the diversity strategies in which, HRM strategies and initiatives were used as a means to impact and mediate on individual, group and/or organizational effectiveness (Kossek et al. 2006). Firstly, the influence of particular HR practices on diversity is often realized in purely increasing it. Kossek et al. (2006) found, that particularly formalized HRM practices are recognized to have positive associations in increasing diversity. For example, formalized identity-conscious HRM practices, contrary to identity-blind supporting sameness, can increase and support diversity by paying attention to both group identity and individual merit (Konrad & Linnehan 1995). Kossek, Markel and McHugh (2003), found as well, that the increase of diversity in a work group context suggests relationships to multiple characteristics such as status and task, not only to democratic attributes such as age or sex.

Secondly, the application of HRM is associated with the presence of diversity and its effects on performance outcomes at individual, group or organizational levels. Even though research indicated relationships between diversity and performance outcomes, Kossek et al. (2006) note that the findings do not directly address the overall relevance of HRM practices at all, or their influence on these outcomes. For example, the outcomes at the individual level are associated with more favorable attitudes, better performance ratings and wages, whereas at the group level the outcomes can be positive (better-quality solutions, cooperative behaviour), negative (lower social cohesion, increased minority turn over) or null. At the organizational level, only a few direct positive effects of diversity on organizational performance were found, such as, on productivity and profitability, depending i.e. on the type of organizational strategy (growth/innovation).

The third view of HRM's application relates to its impact on increasing individual, group and/or organizational performance outcomes. Kossek et al. (2006) found that HRM strategies and practices can be used when changing individuals, groups and organizations in attuning to diversity. The organizational change interventions can include, among others, modified HRM

and work processes, training (awareness, interaction, conflict management, teamwork), mentoring, increasing top management commitment, culture change with follow-up systems or formal diversity programmes/practices.

The findings of Kossek et al. (2006), support that changes towards heterogeneity cannot be reinforced by only applying/implementing separate diversity management strategies such as an increase in minority hiring (typical in the discrimination-and-fairness paradigm) or separate sensitivity training affecting performance or cultural audits (typical in the access-and-legitimacy paradigm) (cf. Cox 1993; Kossek & Lobel 1996; Litvin 2001). That is why, successful management and investing in diversity, equality and equity issues are widely argued to include broadly-based changes of organizational systems (structure, procedures, regulations), individuals (attitudes, mindsets, behaviours), culture and power relations, in which the application of the HRM along with HRM strategies, policies and practices is seen to be a potential and/or a key factor (Cox 1993; Tayeb 1996; Kossek & Lobel 1996; Miller 1996; Agócs & Burr, 1996; Kandola & Fullerton 1998; Gilbert & Ivancevich 2000; Lorbiecki 2001; DeNisi & Griffin 2001; Gagnon & Cornelius 2002; Kirton & Greene 2005).

On this basis, the challenge of managing a diversified workforce in order to realize its full potential, and to maintain competitiveness, is that organizations adapt and institute a new culture and a way of working to be able to utilize people (Offerman & Gowling 1998; cf. Storey 2001), as well as pay attention to careful diversity management as a long-term investment for gaining a competitive advantage (Caproni 2005). Indeed, organizational culture, business strategy and human resource policies and practices are particularly noticed as means to facilitate the influence of diversity (Kochan, Bezrukova, Ely, Jackson, Joshi, Jehn, Leonard, Levine & Thomas 2003). According to Wentling and Palma-Rivas (1998) drafting and revision of HRM policies and procedures (e.g. recruiting, pay equity, flexible work, career development, mentoring) which mandate fairness and equity, have been found critical in supporting diverse needs and considered the second best strategy for managing diversity after training and education. Especially systemic changes within HRM are seen as crucial for successful equality programmes (Cornelius et al. 2001) as well as for systemic and structural integration of diversity (Gagnon & Cornelius 2002).

Additionally, Kirton (2003: 11) points out that diversity strategy and policies can be seen as proactive when diversity is considered an asset, underpinned by ethical beliefs and values also in business, built on social justice and ethical responsibility driven by corporate reputation to attract investors and fulfil the

stakeholder needs. However, the change towards proactivity can be characterized by mainstreaming of diversity as a broad agenda on a long term, by reducing barriers for promotion and by monitoring and auditing policy targets in order to gain qualitative improvements in employee experiences (ibid). That is why the implementation of proactive diversity management (strategy, policies, practices) suggests that HRM become proactive both at its operational and strategic level (cf. Kandola & Fullerton 1998; Brockbank 1999; Kirton 2003).

Moreover, Thornhill et al. (2000) argue, if managing diversity is seen as a strategic response to changing demographics focusing on the utilization of the entire workforce, it presents upstream strategic diversity integration. Similarly, they argue citing Evenden (1993), that strategic HRM can act proactively, if it advances the business and social responsibility cases and influences the strategy formulation by moral and ethical initiatives, for instance, by enhancing equal opportunities of unemployed and disadvantaged groups such as ethnic minorities. However, the 'danger' is that the emphasis of the strategic HRM is more likely on business arguments.

All in all, these notions imply that the integration of diversity and its management are considered to cause adjustments within HRM. However, it is also emphasized, that the objective of the diversity strategy and the desired outcomes need to be identified first before the redesign of HRM policy areas can be determined (Kossek & Lobel 1996). Ferris et al. (1999) suggest to develop alternative HRM approaches in managing diversity, because diversity effects are context contingent, affected i.e. by the type of work or diversity and different levels of organization. Benschop (2001) proposes a revision of HRM instead of seeing diversity initiatives as specific HRM activities to supplement existing HRM policy. Next, reactive and proactive operational and strategic HRM activities within different diversity management paradigms are discussed and presented.

HRM activities in different diversity management paradigms

As earlier mentioned, Brockbank (1999) stated that the operational and strategic HRM can be either reactive or proactive which indicates its adding value. Similarly, different diversity management paradigms were earlier found to represent either reactive or proactive approaches to diversity management (Dass & Parker 1999; Thomas & Ely 1996). Because knowledge is limited in how

the HR function, along with HRM activities, is formulated within different diversity management paradigms, the combination of the two frameworks (Brockbank 1999; Dass & Parker 1999; Thomas & Ely 1996) was found suitable for investigation in article two of this dissertation. The approach also offers an access to both the strategic and operational level HRM activities in diversity management and indicates the contribution of the HR function in adding value in terms of promoting diversity issues. Additionally, the combination shows how reactively and/or proactively HRM can influence the business strategy and its implementation in diversity management and how HRM strategies and policies fit externally to business strategy and internally as consistent HRM practices within each paradigm. Moreover, the non/adjustments within HRM allow explaining differences between diversity policy and practices indicating why diversity management can remain more rhetorical than reality based.

In the following figure, the HR function and HRM activities in diversity management paradigms are summarized (Figure 1) showing to which extent they are reactive or proactive. The detailed description of the typology is found in article two, which focuses on impacts of cultural diversity on the operational and strategic HRM activities in organizations identified to present a certain diversity management paradigm.

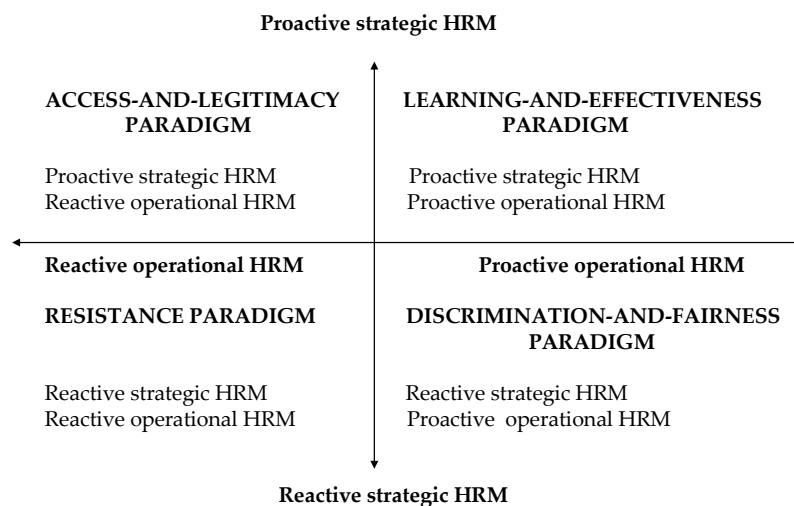


Figure 1. The function of HR in diversity management paradigms

When the framework of Brockbank is linked to different diversity management paradigms, their interaction reveals how the function of HR is formulated and HRM activities applied in each of the paradigms; in other words how the paradigms impact HRM. As shown, the HR function of the organizations in the resistance paradigm manages diversity at the strategic and operational HRM level reactively, because diversity is not paid attention due to its minor importance. The reactive strategy is thus implemented one-way (Golden & Ramanujam 1985; Butler et al. 1991; Noe et al. 1997; Brockbank 1999) and diversity is managed with existing standardized procedures to increase organizational effectiveness (Humphries & Grice 1995; Kaufman 2001; Wooten & James 2004) being able to add little value in terms of diversity.

In the discrimination-and-fairness paradigm organizations, the HR function manages diversity in a strategically reactive manner in the form of formal equality policies or statements to enhance sameness (Kirton & Greene 2005), which is one-way aligned (e.g. Noe et al. 1997). This influences HRM demonstrating to some degree operational proactivity by increasing diversity in numbers for purposes of business effectiveness, being able to some extent to add value in terms of diversity. In the access-and-legitimacy paradigm organizations, while searching for benefits from diversity, the HR function manages diversity in a strategically proactive yet operationally reactive way considering diversity as adding value and supporting it through two-way strategic integration (Golden & Ramanujam 1985; Butler et al. 1991; Noe et al. 1997). However, strategy implementation into operational HRM activities is reactively aligned, because it furthermore administrates with existing, standardized procedures to increase effectiveness.

The organizations in the learning-and-effectiveness paradigm consider diversity as a valuable asset to increase effectiveness by learning from it. This affects the HR function managing diversity proactively both at the strategic and operational level, when aiming to influence the strategy formulation through two-way linkage and possibly through continuous interaction considering diversity as adding value (e.g. Noe et al. 1997). The proactive diversity management approach is therefore aligned to operational HRM activities in forms of renewals as improved HRM practices, processes and structures (Cox 1993; Ulrich 1997; Gooch & Blackburn 2002), which are in line with each other and the culture (Hendry & Pettigrew 1986; Guest 1987; Storey 2001). The HR function supports thus not only the attainment of business objectives, but also equity and fairness issues by trying to influence both individuals and organizational strategy and culture (Ulrich 1997; Brockbank 1999; Cornelius

2002). This paradigm also conforms to the views of successful diversity management: a proactive strategic integration of diversity on the business and HRM strategy agendas and their implementation through proactive operational and strategic HRM activities.

As noted, the diversity management paradigms impact HRM differently in terms of its reactivity or proactivity at the operational and strategic levels. Accordingly, the integration level between the HR function and strategic planning (strategy formulation and implementation) varies, indicating the role of the HR function and the application of HRM activities within paradigms. The framework also shows how diversity management can be integrated by the means of HRM as well as its capability to conduct individual and organizational level changes due to diversity.

In summary, as the literature has shown, equality and diversity issues can become linked to business strategy impacting both operational and strategic HRM activities due to societal, economic or cultural changes. However, the extent to which HRM adapts depends on the chosen diversity management approach.

Training and development is the HRM activity among all others, which has gained a main role in promoting and managing diversity management issues (Wentling & Palma-Rivas 1998; Jayne & Dipboye 2004). In the next section, the training and development literature in diversity management is reviewed.

2.2.4 Training and development in diversity management

In this section training and development perspectives to diversity management are approached. First, different diversity training and development strategies and their application across different diversity management paradigms are investigated. Then, different training and development methods along with their explanatory factors are approached. Training and development issues in diversity management are addressed in article three of the dissertation.

Training and development is the HRM activity, which is argued to act as an effective and key tool especially in a culture change, if used in more holistic, proactive and innovative ways and aligned with both organizational and diversity goals to meet individual needs as well as to increase the effectiveness of diversity initiatives (Ford & Fisher 1996). However, reactions and percep-

tions of change are argued to vary depending on its nature and need for it (Thornhill et al. 2000). As noted earlier, the application and adaptation of HRM activities in different diversity management paradigms were affected by the conception of diversity and the internal or external pressures to react to its management (Dass & Parker 1999). Simultaneously, what is developed, for example individuals or organizational procedures and culture, and how changes due to diversity are conducted, can differ. The accomplishment of different diversity initiatives and the development of diversity management issues can therefore be approached as a change process.

The reason for offering individuals training or adjusting and changing organizational procedures can be that diversity is seen to challenge the existing 'way of doing things'. Workforce diversity is, for instance, said to be challenging by being able to affect individual, group and organizational effectiveness either positively or negatively (Wentling & Palma-Rivas 1998). Also an increase in collaboration and interaction of people with different backgrounds can call for better skills of interaction or intercultural competency. Challenges are also said to relate, for example, from the point of view of cultural diversity, to cultural differences in working habits and customs influencing interaction through misinterpretations, which can create conflicts and affect collaboration and decision making (DeNisi & Griffin 2001; Wilson 1996). The strategies to deal with diversity issues can be divided into individual level management strategies such as understanding, empathy, communication, tolerance and organizational level strategies such as policies, practices, culture and training (Denisi & Griffin 2001). Therefore, in handling the challenges and for the purpose of gaining the benefits from diversity, the promotion of diversity issues are considered to relate to both of these strategies. That is why they can also be approached as change objects, which at the individual level aim to change attitudes and behaviour and in organizational level organizational measures (Wrench 2001), such as practices, structure and culture.

The development of a diverse workplace and the training of its personnel in diversity and equality issues have advanced in four sequential phases, similarly to diversity management paradigms, varying in content and delivery from individual level training and change objectives towards organizational development. The initiatives have been recognized to start from the increase of information towards aiming at changes in attitudes, behaviours and organization (Wrench 2001; Bendick et al. 2001). It is also argued that the training in many countries has stopped on the public attitude education level,

and organizations' voluntary internal development activities are relatively rare (Wrench 2001). The training and development can be categorized into six types: Information, Cultural Awareness, Racism Awareness, Equalities, Anti-Racism and Diversity Training. The basis for this typing has been the international anti-discrimination training typology by ILO (International Labour Organization) with four different change strategies (information, attitudes, behaviour, organization) targeted to three objects (minority, majority, both in a broader organizational societal context). (Wrench 2001, 1997.)

In the first phase of development, the assumption is that the correct *information* can lead to changes in majority behaviour. Information Training is however, mainly offered to immigrants and minorities in order to adapt to the organization covering language, working and cultural habits, which also allows, to some extent, the practising of their own habits related to religion and culture. *In the second phase*, Cultural Awareness Training is delivered both to minorities to understand majority culture in order to adapt to it and to the majority, issues linked to Racism Awareness. *The third phase*, Equalities Training, concentrates on changing majority behaviour to be more appropriate in order to comply with law(s), to recognize prejudices, racism and discrimination and especially, in fair recruiting and selection. *The fourth development phase* targets organizational changes. Anti-racism Training can be offered to the majority in order to actively combat racism and discrimination, which are considered to be the main problems of the organization; not only (white) individuals' self-awareness. When organizations aim to manage diversity and utilize it in business, Diversity Training increasing awareness (of diversity/ multiculturalism issues), sensitivity or interaction is mainly targeted at managers or for instance, that through 'cultural auditing' to recognize the barriers and 'institutional racism' in promoting equal opportunities and to affect practices and culture, thus, aiming at organizational level changes. Because the goal in managing diversity is considered to create in the long term a culture which supports heterogeneity, and in which minorities are not assimilated, training can include elements of all of the above mentioned training types. Wrench (2001, 1997) suggests that the most comprehensive mode of change applies information provision, attitude and behaviour changes in both the minority and the majority as well as organizational changes. It is widely suggested that a broader approach to organizational development and towards changes in culture and HR policies and practices could as a whole contribute to fostering fairness issues and increase the influence of training (Bendick et al. 2001; Easley 2001; Jackson et al. 2003; Cropanzano et al. 2004).

The different diversity management paradigms also impact training and development, which is approached in detail in article three. The resistance paradigm organizations ignore training and development (Moore 1999) or focus only on delivering information to minorities mainly during the induction process in order to adapt them to an existing culture (Wrench 2001). The discrimination-and-fairness paradigm organizations can offer information for the minority to adapt, and also offer training activities to the majority including, for example, the increase of knowledge, cultural awareness or legislative equality issues in order to change behaviour (Wrench 2001). In the access-and-legitimacy paradigm, an organization's training is mainly targeted at changing majority attitudes and behaviours (Bendick et al. 2001; Wrench 2001) to increase communication and interaction (Wiethoff 2004). In the learning-and-effectiveness paradigm, training and development aims to increase the awareness, competency and skills of all (Moore 1999). Broader organization level changes in practices, structures and culture are also targeted (Ford & Fisher 1996; Bendick et al. 2001; Wrench 2001). The affect of different training and development strategies has been found to depend on various factors, which are covered next.

Effectiveness of diversity training and development

Training and management development are often found to be the first change initiatives to educate and involve individual employees in a change, even though often costly, and considered slow as a change method and therefore meeting resistance (Thornhill et al. 2000). In studies of training and developing diversity management issues, the challenges expressed concern their design, delivery, long-term influence and effectiveness (Ford & Fisher 1996; Wentling & Palma-Rivas 1998; Jackson & Joshi 2001; Bendick et al. 2001). Despite the criticized effectiveness of individual level diversity training (Bendick et al. 2001; Von Bergen et al. 2002), it is said to be the most common component and most used method (Kossek et al. 2006), or first and best means to manage diversity (Jayne & Dipboye 2003; Wentling & Palma-Rivas 1998). The factors that can impact the effects of training and development are said to be their object and content: how they are designed and delivered. More generally speaking, the outcome and implementation of a change are said to be affected by its intention (planned/unplanned), extent (small/large scale) or desired time-scale (slow, rapid), and if it is incremental or transformational in nature (Thornhill et al. 2000; Burnes 2004). Furthermore it is argued, that changes in the design of organizational practices and structures can produce effectiveness and

efficiency; changes within attitudes, behaviour or interaction can affect mutual understanding and changes in culture can produce fairness (Flood & Romm 1996; Burnes 2004).

For instance, culture change (as a broad type of an organizational change), which is seen essential in the most advanced diversity management paradigm, can be considered a slow, large-scale and transformational change to promote fairness and equity focusing on power relations (Flood & Romm 1996; Burnes 2004), decision-making and participation (Noon & Obgonna 2001; Cornelius & Bassett-Jones 2002). According to Ulrich (1997), culture can indicate, for example, an organization's involvement in and perception to diversity, which valuation can further influence the changing to new norms and renewals in order to gain more consensus and more performance. The change of culture, along with values is said, however, to entail influencing the shared mindset and 'automatic thoughts' of individuals (see e.g. Ulrich 1997; Brockbank 1999; Thornhill et al. 2000) with the help of information and behaviour change, and processes (work, communication, decision-making/authority, human resource flow) with renewals especially in HRM by realigning and remodelling it (Ulrich 1997).

On the other hand, research shows that under diversity training, the focus is often on non-tailored, short-term individual training: changing majority attitudes and behaviour, which alone are considered unable to bring about any large-scale organizational changes associated, for instance, to structures and systems (rewarding, performance, career management) or culture or power relations (Moore 1999; Easley 2001; Jackson & Joshi 2001; Litvin 2002). On the contrary, awareness or sensitivity training may exoticize diversity and increase distrust in celebrating it (Dass & Parker 1999, Prasad & Prasad 2002). Also the adjustments of practices due to diversity are quick to accomplish in recruiting and induction, their effect is, however, said to be limited for conducting fundamental changes as desired in diversity management (Cox 1993; Bendick et al. 2001; Jayne & Dipboye 2004; Kirton & Greene 2005). One success factor especially considers the delivery of diversity training and development. How changes due to diversity management can be accomplished is turned to in the following section.

There are alternative methods to making changes; success being influenced on how they are driven. They can be top-down (bold strike), down-top (participation) or side-to-side (reengineering) (Ulrich 1997; Thornhill et al. 2000; Burnes 2004). A top-down (programmatic) change approach, strategically

planned by top management, according to Beer et al. (1990), is often applied and fails when radical/culture changes are intended. Especially, in organizational culture change training, rewarding, reorganization and increased communication are considered to be challenges if used as isolated events (Beer et al. 1990; Ulrich 1997). Side-to-side initiatives (such as process engineering) targets on efficiency, within which new processes are expected to bring along new culture or a perceived mindset, however, time consuming (Ulrich 1997). Down-top (bottom-up) change as an incremental approach is suggested to be effective in organizational changes and more suitable when focus is on concrete business/task problems identified by employees and practical side of the change implementation (Beer et al. 1990; Ulrich 1997). Particularly, employee participation as an empowerment approach can be used to find the desired new, specific mindset and translate it into specific employee behaviour from their points of view on improvements. Ulrich suggests (1997) that a holistic approach in a culture change combines and uses all of the three change types.

Indeed, it is argued that employer-driven diversity initiatives can fail, because they present issues that are viewed as significant by the employer and not by the employees (Richards 2001; cf. Burnes 2004). Kirton (2003) states, that consultation with stakeholders in creating proactive diversity policies is worthwhile, as well as to communicate the policy in order to change beliefs and behaviour. Gagnon and Cornelius (2002) see that success in diversity initiatives depends on the employer's commitment to a diversity policy. Thisted (2002) expresses that the question in diversity management is how organizations can be more inclusive and offer equality through representation and participation as well as to benefit from (equality and diversity) management policies and practices working towards inclusion and equality. More attention is therefore suggested to be paid to employee participation by empowerment, which concerns the creation of new proactive structures, strategies and practices; for instance, empowering HRM systems to raise workplace democracy in partnership with different stakeholders (employees, employee representatives, trade unions, leadership facilitation) (Cornelius & Bassett-Jones 2002). By these means, and increasing inclusion, an enabling working environment can promote workplace equality of capabilities, equity and overall fairness (ibid). Partnership in HRM system design, e.g. in training, is also seen to contribute to both performance and commitment (Simmons 2004). On the other hand, Ulrich (1997) argues that there are often myths to a culture change that it needs CEO commitment, training, participation etc., because it can also happen due to cumulative change effects which lead to fundamentally new culture or identity

by means of continuous attention from management. All in all, organizational change is seen to be an ambitious and progressive project addressing, especially in promoting equity issues, the transformation of an organization and commitment of all to change, and not least, from those who are in positions of influence (Richards 2001).

In the diversity context, therefore, a holistic approach to change, which concerns both individuals and the organization as possible change dimensions, can be justified and in line with the principles of the most advanced learning-and-effectiveness paradigm: to promote diversity and inclusion by learning and through participation with emphasis on the importance of an enabling inclusive culture in order to find new, different ways of working. Particularly in implementing diversity and inclusion the perceptions of the climate is said to indicate the level of integration (Kossek & Zonia 1993; Mor Barak et al. 1998; Roberson 2004). Empowerment based development could thus be a suitable method in accomplishing a culture or working culture/climate change, because it can provide capabilities to direct an organization towards diversity and inclusiveness. Article three of the present dissertation focuses on 'working culture bridge groups' as a participative bottom-up training and development method in promoting domestic workplace multiculturalism issues. The study explores the groups' modes of action, their outcomes as well as the explanatory factors for their work and reveals, for example, the usage and/or changes of HRM activities. The next section covers development and integration of diversity management from a global perspective.

2.3 Global diversity management

This section focuses on the global integration of diversity management, which is explored in article four of this dissertation. Cross-national, as opposed to intranational diversity management, is defined to relate to the management of workforces (citizens and immigrants) in different countries (Mor Barak 2005). Globally developing diversity management can thus be considered a large-scale change and development effort (Jackson & Joshi 2001; Schneider & Barsoux 2003). Global diversity management is argued to concern how effectively a global workforce can be managed in achieving competitive advantage and business benefits, while being influenced to a large extent by organizational strategy and pressures from local labour and product markets (Florkowski 1996). Diversity and its cultural dimensions such as greater sensitivity to different markets and customers or problem-solving, can be utilized, for

example, in multicultural teams, gaining new markets and developing products (Schneider & Barsoux 2003; Mor Barak 2005).

There is a lack of research on how MNCs internationalise their domestic diversity agendas as well as on developments, changes, barriers and accomplishments in the global management of diversity (Wentling & Palma-Rivas 2000). The literature on global diversity management predominantly applies a strong multi-domestic approach (Egan & Bendick 2003), reflecting its domestic US origin (Wentling & Palma-Rivas 2000; Schneider & Barsoux 2003; Egan & Bendick 2003; Ferner et al. 2004; Ferner et al. 2005). This, in some cases, has therefore caused resistance (Jones et al. 2000; Ferner et al. 2005). US approaches are also said to be ineffective in the EU, being too cosmetic and off-the-shelf (Egan & Bendick 2003). In integration, it was found that the planning, goal-setting and prioritising of global diversity programmes occur at corporate headquarters (US) while in implementation, local needs are taken into consideration (Wentling & Palma-Rivas 2000). That is why the adaptation of global diversity management in Europe is considered challenging in light of e.g. different institutional, legal and business environments as well as history (Stuber 2002; Egan & Bendick 2003).

On these grounds, when managing diversity is approached from a global workforce perspective, the challenge is to find such solutions in its design and delivery that fit both the parent and local expectations or priorities (Tayeb 2003). For instance, 'new institutionalist' theory argues that organizations are subjected to various pressures of isomorphism in the search for legitimacy within their local environment (DiMaggio & Powell 1983; Scott 1987). The institutionalist perspective is also said to limit organizational choice due to institutional pressures (the state, regulatory structures, interest groups, public opinion, norms) (Mayrhofer & Brewster 2005). On the other hand, there is a tendency that the management of international organizations is increasingly moving towards the integration and cohesion side of the integration-differentiation tension (Ghoshal & Gratton 2002).

The modes of implementation and the extent to which diversity management can be transferred and standardized or locally adapted are affected by values, practices and legislation of a country embedded in its social, political and economic institutions (Kostova 1999; Kostova & Zaheer 1999; Tayeb 2003). That is why the factors to be taken into consideration in cross-border diversity initiatives, in order to be also locally meaningful (Schneider & Barsoux 2003), are the impact of legislation, language, ethnicity and differences of culture or

cultural dimensions affecting working habits, labour composition, industrial relations, and cross-border interaction as a whole (Hofstede 1997; Adler 2002; Tayeb 2003).

In this respect, the roles of IHRM and SIHRM (Strategic International Human Resource Management) also become of interest. According to Tayeb (1996), companies that are single-cultured have less challenges vis-a-vis HRM than do their culturally heterogeneous counterparts and, for the culturally heterogeneous companies, the ability to cope with that challenge makes a difference between success and failure. The aim of IHRM is said to contribute to the success of the MNC suggesting to implement its global strategy in parallel with creating 'sufficient flexibility' to meet local conditions (Tayeb 2003: 252). This is recommended especially in global diversity management, in which the adaptation of HRM policies, practices and organizational culture to local environments is seen as crucial in managing local diversity to be locally fair and bias-free (Schneider & Barsoux 2003). However, in terms of global HR integration, locally differing, 'controversial' and culturally contextual HR practices, philosophies or policies (Tayeb 1998; Rosenzweig & Nohria 1994; Bae, Chen & Lawler 1998; Björkman & Lu 2001) can make the integration of global diversity management complex due to its demographic, cultural and institutional embeddedness.

The integration of global diversity management as an HRM practice and its standardisation or localisation can be considered as a choice between which practices and how much (see e.g. Bae et al. 1998). The organizational levels in which diversity management resides can simultaneously follow SIHRM activities, which according to Schuler et al. (1993), manifest themselves at multiple organizational levels: HRM 'philosophy' advises how to treat people regardless of location, HRM 'policies' establish guidelines and the meaning of the philosophy, and HRM 'practices' determine explicit roles for employees. The rationale behind this classification is that HRM practices are more prone to local cultural influences and hence adaptation than higher-order HRM policies and philosophies (Tayeb 1998).

Integration mechanisms used by MNCs have been found by Kim et al. (2003) to be used in combination (i.e. rarely only one method utilised) with different levels of intensity in order to control and coordinate business functions on a global scale. Accordingly, they classify different integration modes as people-based, information-based, formalisation-based and centralization-based integration of which people-based and information-based modes have been found the most effective. Also, mutually supporting integrating mechanisms have been

found useful in facilitating greater acceptance of diversity (Gilbert & Ivancevich 2000). In integrating HRM globally and, more specifically, in facilitating the global integration of diversity management, it is less clear which modes would be most appropriate as well as the overall role of the HR function. Indeed, it is not self-evident whether integration is considered to be an HR-owned change initiative (e.g. in accomplishing either individual or organizational changes) or driven by the whole business with less direct involvement from HRM. On these grounds and in light of the modest research in the field of global diversity management, especially the mechanisms which MNCs use to promote their diversity policies and practices, article four focuses on the global integration of diversity management in a European MNC.

Since the dissertation is conducted in a country which is characterised by significant institutional, cultural and demographic differences from the previously dominant Anglo-Saxon contexts included in the extant literature, the following section discusses the institutional, demographic and cultural underpinnings of the Finnish diversity context including its regulatory, normative and cognitive institutions (Kostova 1999) in order to offer insights into the complexity of the local diversity issues and demonstrate the context dependency of diversity management.

2.4 Finnish context for diversity

This section covers institutional framework, 'regulatory' (e.g. laws and regulations), 'normative' (e.g. values and norms) and 'cognitive' (e.g. interpretations and frames of thought) institutions underlying the Finnish diversity context.

The Finnish context with regard to working life equality and workforce diversity is intriguing for many reasons since there are issues that have been dealt with very effectively and other issues where progress is still to be made. First of all, the foundations for equality, and being one of the Nordic welfare states, are laid early both institutionally and culturally. The building of an egalitarian and modern democracy and society, which respects individual freedoms, stresses equal rights and equality between women and men in all fields of life (Forsander 2002; Aaltio-Marjasola 2001; Lewis 1992). Equality is targeted in many ways, for instance social security system guarantees everyone a basic pension, health care, maternity leave and municipal child care. Characteristics are also unionization and collective labour agreements, which

are bargained through traditionally strong unions offering legal rights and equal employment conditions (e.g. equality of pay).

The legislative framework of equality and diversity is based on the Constitution of Finland (renewed 1.3.2000) according to which everyone is equal before the law. Together with Criminal law (39/1889), Employment Contracts Act (55/2001), Act on Equality between Women and Men (609/1986, 2005) and Equality/Non-Discrimination Act (21/2004), they all proclaim a general prohibition of discrimination (direct, indirect) in working life on grounds of gender, national or ethnic origin, religion, age, health, disability, sexual orientation, belief, opinion (e.g. political or trade union activities) (see e.g. Makkonen 2003). These acts thus promote equal treatment of all in employment and occupation, which until now has mainly been approached in open public discussions and academic studies in terms of women's equal participation in the labour market.

Finland was the first country in Europe which gave women full and equal political rights in 1906 to stand for elections and vote at the age of 24. Previously, in 1864, unmarried women received full rights when 25 years old. The aim of economic independence for women has contributed that today, women participate extensively in working life, business and politics, and almost half of the labour force is comprised of women (Huhta, Kolehmainen, Lavikka, Leinonen, Rissanen, Uosukainen & Ylöstalo 2005). Further, 37 per cent of the members of Parliament and 34 per cent of counsellors are women, and for the first time, a woman is President (ibid.) Women's position in the labour market and gender mainstreaming has been improved i.e. by requiring a minimum quota of 40 per cent in governmental and municipal bodies and a gender equality plan in all organizations when employing over 30 employees (Ministry of Social Affairs and Health 2005). Authorities such as central or local governmental organizations are required by law to provide an equality plan also covering other basis of discrimination.

Regardless of legislative equality, women, sexual minorities, the disabled, elderly and immigrants, as major disadvantaged groups (Makkonen 2003), meet with inequalities. *Women*, for instance, being higher educated than males, work mainly in service and health care, their tasks and labour market being as a whole, strongly segregated according to gender (Aaltio-Marjasola 2001; Aaltio & Kovalainen 2003; Hearn & Piekkari 2005; Huhta et al. 2005). Their advancement is also worse than men's; pay is 80 per cent of men's; 20 per cent of women have met the glass ceiling and 20 per cent have fixed-time contracts,

often being young women (Huhta et al. 2005). In recent times, the dual role of women has brought into discussion family-work-life coordination and balance. For instance, even though men are allowed various kinds of family leaves (birth, sickness of a child), they are used mainly by women, worsening their position in the labour market (Huhta et al. 2005; cf. Aaltio & Kovalainen 2003).

On the other hand, there are other 'groups' of people such as *sexual minorities* (lesbian, gay, bisexual), which have only recently received full rights; their marriages allowed since 2001, criminalization of their discrimination since 1995. Society has also been hostile, seeing sexual orientation as a sickness or criminal activity, in essence ignoring it. In the labour market, the inclination has been to hide or cover up sexual preferences due to dominant negative attitudes (Makkonen 2003; Lehtonen & Mustola 2004). Also the challenges of disabled people in their participation in working life are similarly connected to attitudes, which hinders seeing the skills and qualifications of the person and focusing instead on disability (Makkonen 2003). Age discrimination increasingly faces people over 55 at workplaces in forms of weaker training and advancement possibilities or finding a job (Kouvonen 1999). As a result, this all has meant that neither gender issues in general, nor the role of women in business in particular, nor the rights of sexual minorities in working life are considered to be problem areas as such. That is why, for instance, at a practical level, the usage of affinity groups or diversity councils are not common.

However, in spite of the extensive equality legislation and provisions, workforce equality and diversity issues are quite new to Finland and have not, as yet, consistently established their position on social or workplace equality agendas. A recent study, for example, revealed that only 50 percent of top Finnish organizations included diversity or equality statements on their websites with only 21 percent referring to the term 'diversity', which represented the lowest proportion among European countries surveyed (Singh & Point 2004). Another study (Hearn & Piekkari 2005) showed that only 60 percent of the 100 largest Finnish companies had a gender equality plan. These figures and the encountered discrimination in the labour market highlight that even if legislative level equality/diversity is embedded, in reality there can be *normative and cognitive barriers* to promoting diversity issues. These can, particularly, be found in the 'emerging' area of ethnicity; in conjunction to *immigrants* and their *cultural/ethnic diversity*, despite the progress being made in some areas as described above.

Namely, prior to the 1990's, Finland was primarily an outward immigration country (Forsander 2002) and, despite extensive trade activity with other nations and the rapid globalisation of businesses, its domestic multiculturalism, while increasing, has remained at a low level. The number of foreign citizens (refugees and immigrants) today represent about two per cent of the population of about five million and has increased from approximately 15 000 to near 114 000 within the past 15 years (Statistics Finland 2006). Cultural homogeneity is, therefore, seen in various ways. The traditional minority groups in Finland are the Sami (01,14 %) in northern Lapland, Tatars (under 0, 091 %/ ca. 900 persons) immigrated in the beginning of the 19th century and a Swedish speaking minority (5 %). In terms of ethnicity, people belong to the same race, religion (evangelist-lutherian 98 %, ortodox 2%) and generally speak the same language; despite being a bi-lingual country (Finnish 92 %, Swedish 5,5 %, other 2,5 %) (Alho, Raunio & Virtanen 1989; Statistics of Finland 2006). This homogeneity is also embedded in *normative and cognitive institutions*, which are covered next.

National culture identity, 'Finnishness', and security policy are said to meet in Finland in a peculiar way; which can be described as a protective/defensive mentality or ethos due a continuous threat and the defence of a people and nation for survival (Anttonen 1998). Namely, throughout the centuries, the country and its population have been caught between the east and west until gaining its own independency in 1917, accompanied by strong patriotism. Two powerful countries, Sweden and Russia, have conquered its territory, by turns, influencing it in many ways (e.g. language, religion). National culture, civilization and politics are argued therefore, to be built on fears of security (from the east) or modernity (from the west), and on separation from both parties. That is why also legends/myths of national heroes/heroic deeds (ice-hockey players, solders, painters, composers, conductors, president) have been strengthening powers for the self-conscious of society and still remains so. (Anttonen 1998; Lewis 1992.)

The war with Russia (1939-40, 1941-44), made nationalism and the sense of belonging together even stronger, because political independency was preserved, enabling also the rapid re-building of the country as a market economy, while remaining withdrawn (Anttonen 1998). Not until the 1990s, as a member of the EU, and the integration into the international economy, and especially due to the sophisticated ICT industry, the country became attractive for foreign investors (Ali-Yrkkö, Joronen & Ylä-Anttila 2002) and for skilled labour, internationalizing working communities. Today, the history of a strong

national identity and sustaining its homogeneity are discovered, for example, in the respect its own culture, with its peculiarities, and in the will to protect/preserve it from internationalization seen thereby as the strength of the country (Torvi & Kiljunen 2005). On these grounds, it is even questioned, whether 'Finnishness' is still based on a healthy, civilized nationalism or if the naivety of its self-sufficiency has already been broken down (*ibid.*).

Finland and its people are on these grounds, for instance, criticized of their narrowness of thought, racism and weak self-esteem (*cf.* Hannula 1997). These features can be found in the problems and tensions relating to ubiquitous negative attitudes towards 'different' people and to equality issues (as a whole) and particularly, as earlier noted, the attitudes to sexual minorities, immigrants and immigration are reserved or even racist, having slowly turned favourable or more approving especially among younger generations and women (Torvi & Kiljunen 2005, Jaakola 2005; Makkonen 2003). The attitudes of men to male foreigners, especially from Russia and non-Western countries are believed to be evidence from the past outward threat (Lewis 1992). However, for instance, discrimination of ethnic minorities in working life has been found to stay mostly unreported (Jasinskaja-Lahti, Liebkind & Vesala 2002). This implies that on one hand, there is seen a tendency that Finnish people are becoming softer, and on the other hand, the belief of the equality of men and women has weakened during recent years, it has not in reality increased, but is due to a more clear recognition and realization of its shortcomings than previously (Torvi & Kiljunen 2005).

The relative cultural homogeneity and lack of multicultural experience, together with other diversity issues can thus explain, why the inclusion of foreigners in the labour market, society and the provision of their equal rights is still in its infancy. Unemployment is 26 per cent among immigrants vs. 7 per cent among natives (Ministry of Labour 2006), excluding the high skilled IT/ICT professionals from abroad. In light of the prognosis, almost 900,000 employees will exit the labour market within the next fifteen years (Tiainen 2003). This implies that in Finland, as in many other Western countries, declining domestic labour due to an aging population and the lack of a skilled workforce is being, in part, offset by the employment of an increasingly non-native workforce (Forsander 2002). The future demographic changes and threat of a future labour shortage have also contributed to a new work-related immigration policy approved by the government (Government Migration Policy Program 19.10.2006).

In light of the above, diversity management issues can be said to be either unknown or emerging in the Finnish working life context (see also Juuti 2005; Forsander & Raunio 2005; Sippola, Leponiemi & Suutari 2006). In particular, cultural and ethnic diversity are new phenomena gaining relevance in Scandinavian countries (Prasad et al. 2006). The institutional embeddedness of equality driven by policy-makers, therefore, exists more through legislative efforts than in workplace reality and in minds of individuals. Nevertheless, it can be argued that the high level of differentiation that exists between Finnish demographics and corresponding institutional developments render any subsequent large-scale diversity management initiative in domestic organizations as feasible yet also potentially problematic.

3. METHODOLOGY

This chapter presents the research strategy and methods, case selection, data collection and analysis followed by the validity and reliability of the present study.

3.1 Research strategy

This study was inspired and influenced by a phenomenological perspective. It sees that the social world and reality is negotiated and social constructions are created through symbolic interaction through words, symbols and behaviours of people being context dependent (Burrell & Morgan 1979) and varying from situation to situation forming a world of multiple realities (Cohen, Manion & Morrison 2000). The order of the social action is reflexed in the meaning structure, models and constructions, which need to be discovered (Burrell & Morgan 1979). Instead of trying to show any unitary, best practices or normative procedures, the purpose was to reveal how the nature of the phenomena is seen by the subjects from multiple perspectives and why.

The ontological assumptions of the present study thus follows nominalism, the way in which the researcher wanted to see the phenomenon and its nature was relativist, as a social construction, from multiple perspectives. The epistemological assumptions of the present study follows anti-positivism, as what the researcher wanted to know about the phenomenon, was to find out the different understandings within various perspectives from a point of view of individuals involved in reality building. In a non-positivist approach a human being can influence; be free, autonomous and can act voluntarily without an organization's influence. (Burrell & Morgan 1979.) In this way, HRM issues in diversity management can be interpreted not only on the basis of the organization's official viewpoint, but also from the points of views and subjective experiences of individuals in different stakeholder groups in different organizations. In fulfilling the study task, the methods and cases used in data collection are first discussed.

3.2 Research methods

In choosing the research design and methods, they should be effective to produce the information wanted in light of the research problem and the nature

of the phenomenon under study (Ghauri & Gronhaug 2002). In this dissertation, the issue under investigation, HRM of a diverse workforce, was emerging, and sparsely studied in the national context, which supported a study of the phenomenon in its natural settings and also from multiple perspectives and levels. For these purposes, a quantitative research strategy and methods such as surveys were not deemed appropriate, especially, when the meaning was not to find any measurable attributes or numerable, exact knowledge (Silverman 2001; Denzin & Lincoln 2000). Instead the aim was to describe, explain and explore the phenomenon (Yin 2003) and therefore, the best way to investigate and increase the level of knowledge of it was the approach by a qualitative research design and methods. Ideographic approaches emphasize individuality, and qualitative methodologies allow gaining various understandings of the nature of the phenomena (Burrell & Morgan 1979).

Qualitative methods are seen as useful to gain a picture of the phenomenon in the real, everyday life context, to reveal its complexity with the help of rich and holistic data from the individual's point of view, which can also offer access to it as a multilevel and longitudinal process (Miles & Huberman 1994; Denzin & Lincoln 2000). Explorative and qualitative methods are also suggested when a phenomenon is new and unstructured in the studied context allowing better access to it (Bonoma 1985). In this study, for instance, the amount of people with appropriate knowledge as well as the number of relevant organizations was limited justifying in-depth, face-to face contacts to respondents. In terms of other justifications for applying qualitative research strategy in this dissertation was also that diversity management research is criticized to be mainly US based positivist research (Cassell 2001; Prasad et al. 2006) lacking the usage of qualitative methods (Dietz & Petersen 2006). This dissertation uses qualitative research methods in each of its four articles. More precisely, a qualitative case study approach is applied across studies.

Case study approaches are justified and found beneficial in gaining intrinsic understanding of the particular case (intrinsic single case) and/or insights into a given phenomenon to redraw a generalization (instrumental case study) and/or in advancing the phenomenon from a collective perspective with several cases (collective case study) (Stake 2000). Case studies are also considered useful, when the research area is relatively less known, they are often used for theory building (Ghauri & Gronhaug 2002). Namely, they also allow finding essential factors or the primary background information of a process, which can outline the situation in a new context (Stake 2000; Yin 2003). Case studies can be either single- or multiple-case studies, holistic or embedded. Which alternative is used

is based on different starting points and justified by the research question (Yin 2003). Holistic refers to a single unit of analysis (the nature of the phenomenon), while embedded, to multiple units of analysis (e.g. organizational subunits).

In this dissertation the selection criteria for adopting both single-case and multiple-case studies is in their following strengths. A single, in-depth case-study design was selected as suggested, if the phenomenon is rare, actual, new and previously inaccessible, contributing to its also being instructive when the issue of contextuality is of key importance in interpreting the data (Yin 2003). Silverman (2000) argues that a single-case study enhances generalizability of any case as a possibility in terms of its analytic model. Article four adopts a holistic single-case study approach.

Because there was a need not only to describe the phenomena at a certain moment, but also to contrast cases in order to explain and analyze it for a theoretical proposition, a holistic multiple-case study approach was selected and considered more compelling in the exploration and description of phenomenon through its similarities or contrasts within the context (Yin 2003). A multiple-case study design can thus also enhance the generalizability of the results (Miles & Huberman 1994). Articles one, two and three adopt a holistic multiple-case study approach.

The disadvantage of case studies is argued to be the generalizability or utility limiting their transferability (e.g. Eisenhardt 1989; Patton 2002; Yin 2003). For example, they can lead to overly complex theories in order to capture everything resulting in narrow and idiosyncratic theory (Eisenhardt 1989) suggesting instead “the likely applicability of findings” as extrapolations to other situations under equal conditions, however, not identical (Patton 2002: 584). On the other hand, it is also argued that generalizability, for instance, building of theory is not always the purpose of case studies, and therefore beyond an intrinsic single case (Stake 2000). Furthermore, it is argued that generalizability is not a relevant issue in conducting case studies, particularly, if qualitative research is only considered descriptive (Silverman 2000). Also, when searching for particularities of cases it is also competing with its generalizability (Stake 2000).

These limitations have been acknowledged when conducting this study. On the other hand, the present dissertation aimed to gain understanding of the phenomenon and in constructing general knowledge of it (Stake 2000) to reveal also its particularities relevant in the local context. Silverman (2000) suggests

that generalizability can be obtained through combining qualitative and quantitative methods, purposive or theoretical sampling or using an analytic model in form of a single case. In this dissertation, theoretical generalizability of cases were gained/enhanced through choosing of a particular single case (article four) and sampling (theoretical sampling) (articles one, two and three), which offered access to relevant cases with appropriate data allowing an answer to the research question (Silverman 2000).

This dissertation also adopts longitudinal research settings, except in article one as a cross-sectional pilot study. Namely, longitudinal strategy allows data collection from the same source at different points in time, during a specific time period (Cohen et al. 2000; Yin 2003). In this study, resources were available from the beginning and the time reserved for research was not a constraint, which made it possible to conduct longitudinal case studies. In total, three of the articles in the present dissertation are multiple-case studies, of which two are longitudinal (articles two and three). One article is a longitudinal single case-study (article four). The selection of cases is now turned to.

3.3 Case selection

The selection of cases should allow replication, literal or theoretical in form of similar or contrasting results and the development of theoretical framework stating the conditions for the existence of the phenomenon (Yin 2003). In order to answer the research question and deeper analyze the phenomenon, the logic for choosing the cases for sampling was to gain access to relevant organizations, which had the appropriate data and was readily available (Silverman 2000: 106).

First, the relevance of the study subject in the local context was ensured through a cross-sectional multiple-case pilot study (article one) among ten organizations, which was considered to be sufficient for drawing conclusions and reaching the so-called saturation point (Eskola & Suoranta 2005: 62). Namely, the findings indicated that organizations in different industries and parts of Finland had already both similar and also different experiences of cultural diversity and its implications for HRM. The findings, therefore, suggested locating such case organizations which have been dealing with cultural diversity management issues and more specifically, employing immigrants for a longer period compared to other Finnish companies in general in order to have relevant knowledge of issues under the study. Another criterion was that

the organizations could contribute by a longitudinal setting advocated due to its relative infancy in diversity management research (Dietz & Petersen 2006). The aim of the longitudinal design was to reveal development in the diversity management approaches of organizations indicating possible differences between the cases.

Such a design, along with a longitudinal perspective, became possible through access to ETMO (Multiculturalism as a Resource in the Working Community) a project funded by the EQUAL Initiative Programme of the European Social Fund during 2003-2005. The author was allowed as an external researcher to select cases and collect data among organizations belonging to ETMO. The research was in other respects conducted under a research programme of the Academy of Finland, LEARN (Lifelong Learning), additionally funded i.e. by The Finnish Work Environment Fund and the Ministry of Labour, which was running during the study period. The thesis (in connection with ETMO) therefore belonged to one of LEARN's projects: *'Learning Intercultural Competence in the Workplace'*.

The participative organizations of ETMO (totalling 16) aimed to promote tolerance and multiculturalism in their working communities and to increase the employability of immigrants. They presented both private and public organizations in different industries varying in experiences, time as recruiters of a foreign workforce and in their stage of diversification. One common factor was that almost every organization had confronted labour shortage or was expecting it, making them willing to develop their own activities and culture towards multiculturalism and diversity.

Five organizations in total were deemed to be an appropriate sample for the purposes of article two to be studied more in-depth longitudinally. They were chosen to obtain knowledge from a longer period from different industries and therefore, represented 'the most experienced' organizations among ETMO organizations in managing cultural diversity. Two of these organizations were the same as in the pilot study. Further in each case, three to four interviewees were selected on grounds of their knowledge of the studied subject forming and representing three groups of respondents in different positions and levels: managers, supervisors and shop-stewards. The challenge was that organizations and persons commit to research and interviews on a longitudinal setting. Some persons, however, considered interviews to offer a moment to express things otherwise impossible or difficult. On one hand, managers of one organization indicated to be tired of their organization being a local research

object, but as a whole many persons seemed to be kind of 'privileged' to participate.

For article three, 15 of the organizations with active involvement in the ETMO-project were selected. The interviewed persons were the selected members of the 'working culture bridge groups' (up to 10 persons per group) and the coordinators of these groups. Additionally, a foreign parent of one of the organizations started the integration of its global diversity management at the same time as the organizations started the project work. That allowed an access to investigate the phenomenon in the local context longitudinally, as a unique single in-depth case-study (article four) (Yin 2003). The interviewed persons were the local diversity coordinator, European Diversity Coordinator, HRM manager, CEO, one supervisor and manager, because they were all directly involved in the integration process except the supervisor, who instead was heavily involved in the working culture bridge group in conjunction with the ETMO-project.

When anonymity of organizations and respondents was ensured in each sub-study, it also contributed that organizational positions in connection to the quotations or in reporting could be presented in the articles. Accordingly, data collection was designed in form of three multiple and one single case study, in which different kinds of data was collected in different ways and is presented in the following section.

3.4 Data collection

Triangulation in a case study is seen as useful, because it allows multiple sources of evidence to secure an understanding of the phenomenon (Denzin & Lincoln 2000; Yin 2003). It can also increase the quality of the study by testing the consistency of research findings (i.e. the construct validity of data) (Patton 2002) and thus corroborate the phenomenon and its interpretation (Stake 2000).

From different types of triangulation this thesis study applies: firstly – data (a variety of sources), secondly – theory/perspective (multiple theories/combined perspectives of individuals, groups etc. to interpret), thirdly – methodological (multiple methods in collecting data for the consistency of findings), fourthly – time (cross-sectional/ longitudinal), fifthly – investigator (multiple analysts), sixthly – respondent (to verify study reports) triangulation (Cohen et al. 2000; Patton 2002; Yin 2003). To increase the understanding of the phenomenon,

triangulation was used in the following ways. Data was collected from various organizations with multiple methods in the form of individual interviews (articles one, two, four) and/or group interviews together with documentation (articles three and four). Multiple perspectives were gained by interviewing persons from different levels and positions (articles two and four). Additionally, different theoretical perspectives were applied throughout the articles. Further, both a cross-sectional (article one) and longitudinal setting was applied, the further to gain a pre-understanding of the phenomena, the second for exploring developmental processes. In analyzing the findings, two investigators were used (article one, three and four) and to verify the study reports, the transcripts (articles one and two) or the final report (article four) were sent back to the respondents.

The individual, key informants for the interview method (Miles & Huberman 1994) were CEO, HRM/HRD Directors, Managers or Specialists, Line Managers, Supervisors, Equality/Diversity Specialists or Shop-Stewards. Altogether 69 individual/separate interviews with 52 persons were conducted for the purposes of articles one, two and four. Instead of interviewing individuals for collecting data from 15 organizations in article three, the focus group method was found useful. The method can be used as a means to provide data and insights into participants' opinions and experiences/perspectives through group interaction giving access to otherwise not easily obtained data (Morgan 1997). It is also flexible and quick in collecting data (Ghauri & Gronhaug 2002), and thus suitable in studies, in which the number of case units is large. In gathering data for article three, focus group sessions were held once with 15 groups totaling 60 persons and five times with the four groups' coordinators. For article four, one focus group session was held once with four persons.

The interviews can be classified as structured (e.g. forms) and unstructured interviews (e.g. open-ended, in-depth) (Fontana & Frey 2000; Hirsjärvi & Hurme 2004). Semi-structured interviews are found suitable to investigate identified issues deemed important, for the study subject, in a manner focused on certain themes, as a means to obtain knowledge and personal subjective experiences with different meanings (Denzin & Lincoln 2000; Hirsjärvi & Hurme 1991, 2004). The listed themes formed a general interview guide (Patton 2002). This dissertation used in collecting empirical data, semi-structured interviews for all four articles. The outline of individual interviews was clarified, sent for verification or agreed with each person in advance by telephone and/or e-mail. In article four, the same semi-structured interview format was used both in individual and group interviews.

The outline of group interviews in article three was verified and clarified with the coordinators and leaders of the working culture bridge groups by telephone or e-mail in advance and in article four similarly with all four focus group members. It was also carefully explained in the beginning of each group interview for all group members. Also the details of the study, the confidentiality questions, time of the interview and the approval for taping were covered before the interviews. The individual and group interviews lasted typically from 60–90 minutes and allowed enough opportunity for respondents to talk in depth about related issues. The interviews took place at the interviewees' premises.

Empirical data of two articles was also gathered by means of various documents. In article three, they consist of the records for meetings of the groups, diaries of coordinators, personal and client magazines and seminar material produced during the study period. Documentation in article four covered confidential company documentation including annual diversity integration plans, diversity and inclusiveness surveys, leadership self-assessments and 360-degree appraisals and their results as well as intranet-based diversity evaluation tools.

The data of the first article was gathered during the spring of 2002 and the autumn of 2003 and 2004. The data collection of the other articles started during the spring of 2003 and stopped at the end of the EU-project in the spring of 2005. Data analysis is turned to next.

3.5 Data analysis

The collected interview material was analyzed through content analysis method. Content analysis is used as a method of textual investigation to analyze how written texts represent reality (form, order, explanation) paying particular attention to the reliability issues of the measures used and further to the validity of the findings (Silverman 2001: 123). Raw data consisted approximately from 8 to 16 pages from each interview. For their reliability, all interview transcripts were as a rule taped, and *verbatim* transcribed. The texts were mainly sent back to those interviewed for a review (article one and two) and they were typically accepted as such or with minor modifications. The organizing of the data was started after first thoroughly reading of the transcripts. In longitudinal studies this took place after each interview. The content of data, as written texts, was coded through setting categories and

analysed both chronologically and thematically either manually, in articles two and four, or by textual analysis software with the NVIVO-program, in articles one and three for analysis. The constancy of what people said over the study time period, was thus checked by interviewing them longitudinally (Cohen et al. 2000), twice in case two, four to five times in cases three and four, and also against documentation. A protocol was created for each case (Yin 2003).

In articles three and four, documentation formed a part of the analyzed material in addition to interviews, in order to also gain from multiple sources a reliable picture of the phenomenon as from the point of view of the longitudinal development processes. Documents were systematically investigated over the study period, reviewed and content analyzed. In article three, they were used to follow up and verify the advancement of the working culture bridge groups through the study period and how a groups' work was demonstrated internally and externally in publicity. For instance, the meeting records revealed the subjects under discussion, development of their work, events organized etc. In article four, documents were used as well to ensure the process of global diversity management integration in terms of its content and delivery. For instance, the results of diversity surveys showed direction for the local development work and crucial areas to be focused on. Also the contents of annual diversity and inclusion plans were verified against their outcomes.

3.6 Validity and reliability

In this section, different aspects of validity as well as the reliability of the study are discussed. The quality of case studies can be judged against four criteria, namely: construct validity, internal validity, external validity and reliability (Yin 2003). *Validity* of the research means, that by applying the methodology presented, results in the interpretations suggested. Therefore the validity of qualitative research applies to the trustworthiness of its results and their accuracy (Lincoln & Cuba 1985). The tests for quality are used with different kinds of tactics in different phases of the research (Yin 2003). Thus, *construct validity* refers to correct operational measures used as sources and establishing chain of evidence in *data collection and composition*, *internal validity* refers to causal relationships in *data analysis* and *external validity* for generalization in *research design* – in order to evaluate the results (Eisenhard 1989; Miles & Huberman 1994; Yin 2003).

To ensure *construct validity*, multiple means of evidence (triangulation) – data, theory, perspectives, methods, time – were used in this dissertation. As presented in the previous sections, the data in all articles was extensively collected and the chain of evidence established from the points of view of multiple sources and/or respondents in different positions/levels. Mainly three or more key informants in each organization were interviewed twice in article two and at even intervals over two years in article three and four except in the cross-sectional pilot study. In addition, respondent validation was used in article four, when the final report of the in-depth study was verified and approved by two of the key informants (local diversity coordinator, HRM manager) (Silverman 2001). Also, the factually verified raw data was cited in reporting the findings of all articles to illuminate the situation and thoughts of the persons supporting also the quality of claims/conclusions (Patton 2002; Andersen & Skaates 2002).

Internal validity of the study, the issue of causality, was addressed and ensured in the articles through careful data analysis and by comparing the findings and interpretations with existing literature to enhance theoretical generalizability (Eisenhard 1989; Miles & Huberman 1994).

For *external validity* reasons, in order to answer the research questions and generalize, the research design and cases for the longitudinal research settings were carefully planned with justifications for conducting the study by qualitative methods within certain types of organizations. In this way, external validity could also be enhanced through replication (Yin 2003).

The *reliability* of qualitative research refers to the credibility of the analysis in so that the reader can follow the research process (Miles & Huberman 1994), and in case studies, also to repeat the research with the same results (Yin 2003). In order to add reliability to the study, the research process has been explained starting from the careful research design and documented in a case study database (Yin 2003: 34). This included, as detailed in previous sections, that attention was paid to the reliability issues of the measures used in the case study process: the research data was carefully analyzed, the content of communications systematically examined, the interviews taped, transcribed verbatim and the transcripts verified with interviewed persons. Extracts from the interviews can be also used to offer representative empirical evidence validating the reliability of the study (Denzin & Lincoln 2000; Silverman 2001) and, therefore, direct quotations are also used throughout the articles in reporting.

The empirical parts of the dissertation focus on HRM, training and development and the integration of diversity management in Finnish private and public sector organizations on a domestic and global basis. They are studied at a stage when diversity is an emerging issue in the local context. In the following, a summary of the four articles is presented.

4. SUMMARY OF THE ARTICLES

In this chapter, the four articles of the present dissertation are summarized. In the first article as a pilot study, the implications of emerging cultural diversity for HRM are studied in order to gain a pre-understanding of the issue in the local context and to find out its relevance in the local context. In article two, the impacts of different diversity management paradigms identified in organizations on operational and strategic HRM activities are investigated. The promotion of workplace multiculturalism through training and development is focused in article three and the integration of global diversity management in MNC in article four. The presentations of articles include the objectives, theoretical backgrounds and main findings of the studies (along with contributions). The overall conclusions across studies are presented in Chapter 5.

4.1. Implications of an emerging diverse workforce in HRM: A multiple case-study among Finnish organizations

The purpose of the first pilot study is to find out what the reasons, benefits and challenges of cultural diversity are, and what kind of implications diversity has for HRM. The study was carried out in order to get a prior understanding of diversity issues within HRM and to understand the Finnish diversity context. Furthermore the study was used to further develop the theoretical approaches for longitudinal, in-depth studies of other articles. The article focuses on identifying the reasons, benefits and challenges of a culturally diverse workforce and its impacts on HRM strategy and activities. The main causes for increasing diversity among workforces are considered in literature to be internationalization and globalization, demographic changes and mobility of workforces (Johnson & Packer 1987; Konrad 2003). The associated benefits of a diverse workforce are further argued to include cost savings (e.g. reduced turnover, absenteeism, lawsuits), access to a new labour market, increase of market knowledge, promotion of team creativity and innovation, improved problem solving and flexibility and quality of customer service (Cox & Blake 1991; McLeod et al. 1996; Richard 2000; DeNisi & Griffin 2001). On the other hand, social identity theory suggests that differences of people (see e.g. Palmer 2003) can imply that diversity may also create negative impacts through conflict sensitivity, decreased communication and threats from former employees (Chatman, Polzer, Barsade & Neale 1998; Thomas 1999). Therefore, challenges relating to managing diversity are suggested to include, differences in working

habits and customs, misunderstandings, distrust or even hostility (Wilson 1996; DeNisi & Griffin 2001). Therefore, HRM strategy, recruitment, rewarding, training and development and performance appraisal are argued to be key tools to manage diversity successfully for leveraging its benefits and decreasing its challenges and to affect attitudes, behaviours and culture (e.g. Kossek & Lobel 1996; Tayeb 1996; DeNisi & Griffin 2001; Kirton & Greene 2005). Indeed, organizations are found to adopt diversity policies and align their HRM for different reasons such as regulatory, ethical and economic (European Commission 2003).

A qualitative cross-sectional multiple-case study in ten organizations was conducted to analyze the impact of cultural diversity on HRM in a Finnish national context, in which, broadly speaking, cultural diversity in the average Finnish organization is only emerging as a labour pool. The findings of the article revealed, that the causes of diversity were the search for new recruitment potential and the reduction of staff turnover as the traditional workforce decreases (Forsander 2000; cf. Johnson & Packer 1987; Konrad 2003). In the Finnish context these reasons were in line with findings elsewhere. In terms of the benefits that cultural diversity can generate, it was found that customer service was improved, recruitment potential, cultural competence and innovativeness were increased as well as a better working atmosphere gained. These findings also supported earlier research from other countries (Cox & Blake 1991; Konrad 2003). As previous research suggests, there were also found to be multiple challenges involved in order to realize the benefits associated with a diverse workforce, the most significant challenges being insufficient language and professional skills, the need for flexibility towards cultural differences, different conceptions of work, and differences in female gender roles in working life (cf. Wilson 1996; Chatman et al. 1998; DeNisi & Griffin 2001).

In terms of the implications of cultural diversity for HRM, diversity in general was not reflected at the strategic HRM level and HRM strategies in the case organizations. Some modifications were made in HRM practices. The main changes could be seen in recruitment as well as in training and development, especially in induction. On the other hand, rewarding and performance appraisal were mostly still only aligned to account for a traditional workforce without much or any consideration for issues of diversity. The findings imply that HRM was not yet seen central for managing diversity (Kossek & Lobel 1996; Kirton & Greene 2005).

The study's results partly supported the findings of earlier research in terms of causes, benefits and challenges of diversity, but some discrepancies regarding the level of adjustments within HRM were found probably due to the stage of diversification. Overall, these findings confirmed that when diversity is emerging or at its early stages, the main development and change areas within HRM were seen only in recruiting and induction. Cultural diversity was thus considered in study organizations important for competitiveness, however, not typically yet stated in HRM strategy or policy while some modifications were already made at the operational HRM level (cf. European Commission 2003). The main contribution of this article as a pilot research is that it offers new empirical evidence as a starting point, from which to position diversity management and HRM in a context of low cultural diversity. The findings of this article thus form the basis for formulating the research strategy of the other articles. It was also used to further develop the theoretical approaches (diversity management paradigms and HRM) for longitudinal and in-depth case studies. From that developmental perspective, the pilot study had such implications to the overall research project that it was included in the dissertation, despite the limited theoretical contribution involved to the study.

4.2. Diversity management paradigms and HRM: Implications of cultural diversity for strategic and operational HRM

The purpose of the second article is to investigate how different diversity management paradigms identified in organizations impact HRM. It aims to form a framework, which identifies the activities of the strategic and operational HRM in light of diversity management paradigms. In HRM literature, diversity is often conceived as different kinds of capabilities to be utilized as potential resources, while in diversity management literature HRM is suggested to change its performance and become more proactive in terms of supporting diversity and inclusiveness (Kossek & Lobel 1996; Tayeb 1996; Cassell 2001; Lundgren & Mlekov 2002; Kirton & Greene 2005). Brockbank's (1999) model was found useful for the purposes of this study as it divides HRM into strategic/long-term activities and operational/day-to-day issues, which also indicate their reactivity versus proactivity in adding value.

The literature reveals many approaches to diversity management, of which in exploring the question of HRM, this article applies the diversity management paradigm perspectives of Thomas and Ely (1996) and Dass and Parker (1999). The approach was found suitable, because it offers access to the examination of

the strategic diversity management responses of organizations from multiple perspectives. The four different diversity management paradigms (resistance, discrimination-and-fairness, access-and-legitimacy, learning-and-effectiveness) encompass, how diversity can be managed changing from reactive and defensive strategies towards accommodating to and seeing learning opportunities from diversity. In previous studies it has not been shown how the HR function or HRM activities act across different managing diversity paradigms. Therefore, through the combination of the two established frameworks (Thomas & Ely 1996; Brockbank 1999; Dass & Parker 1999), their relationship reveal whether strategic and operational HRM is reactively and/or proactively applied and accommodated in organizations following different diversity management paradigms.

According to this created framework, organizations in the resistance paradigm are expected to apply reactively both strategic and operational HRM using existing policies and practices to administrate and maintain the status quo. In the discrimination-and-fairness paradigm, organizations are expected to enhance formal equality and sameness through reactive strategic HRM using to some extent proactive operational HRM, which increases diversity in 'numbers'. Organizations within the access-and-legitimacy paradigm apply proactively strategic HRM whilst using reactively operational HRM. They consider diversity as a means to gain business benefits, however, aiming towards it with existing HRM procedures. In the learning-and-effectiveness paradigm, organizations apply proactively both strategic and operational HRM by supporting diversity to add value and improve practices as well as culture towards inclusiveness.

The empirical part of the article consists of a qualitative longitudinal multiple-case study in five organizations in order to analyze HRM responses of an organization to managing cultural diversity. HRM activities were classified into both strategic and operational levels and furthermore explored the extent to which they were reactively and/or proactively applied. The findings revealed that despite the same reasons for diversification (lack of skilled labour) and similarity of experiences, for instance as to the benefits, the organizations approach diversity management differently from resistance towards learning as suggested in diversity management paradigms (Thomas & Ely 1996; Dass & Parker 1999). This supports the relevance of this theoretical classification.

The results also revealed that accordingly, the organizations acted, at the strategic and operational level activities of HRM as predicted either reactively

or proactively (Brockbank 1999). If organizations considered diversity important only as a labour resource (resistance paradigm), they also facilitated the diversity management strategy reactively by maintaining the status quo. If diversity was considered as an equal resource (discrimination-and-fairness paradigm) to be treated on an equal basis, this reactive diversity management strategy supported to only increase the amount of immigrants. If organizations perceived cultural diversity important for business, they either implemented the proactive diversity management strategy reactively without any adjustments to HRM (access-and-legitimacy paradigm) or also considered learning opportunities from diversity (learning-and-effectiveness paradigm) by improving mainly recruiting, training and development and non-financial rewarding. Thus the findings evidenced that HRM activities can become more proactive in order to support diversity and inclusiveness, which the earlier research had suggested (Kosseck & Lobel 1996; Tayeb 1996; Kirton & Greene 2005).

The main contribution of this article is that by applying the diversity management paradigm approach it was possible to explain how HRM acts in managing a diverse workforce. The approach also allowed a description of how the HR function was reacting to cultural diversity, which was shown to be affected by the relationships between the objectives of HRM and the objectives of managing diversity, thus completing the existing research. In the later sub-studies of this dissertation, the diversity management paradigm approach is also referred to.

4.3 Developing culturally diverse organizations: A participative and empowerment-based method

Article three of the present dissertation aims to investigate how workplace multiculturalism is developed and promoted through a 'working culture bridge group' -method that allows for the participation of the organizational members. These groups can thus be considered a participative bottom-up training and development method. Empowerment-based methods and partnership with stakeholder groups have been commonly recommended in literature (Ulrich 1997; Simmons 2004; Cornelius & Bassett-Jones 2002; Cornelius et al. 2001), but it has not been thoroughly studied how such a participative method in group form operates, what kinds of goals the groups formulate for themselves, what kind training and development methods are applied or what impacts those applied have. The article focuses on analyzing the development work of the

working culture bridge groups, which aim to promote workplace multiculturalism. It explores their goal setting, the modes of action and the achievements of the groups. Furthermore, it analyzes how different factors may impact on the development process or the outcomes as perceived by the participants.

In literature, the training and development in diversity management can be divided into four different training strategies as to their objective and content. They target information provision, to change majority and/or minority attitudes or behaviours or to organizational changes (Wrench 1997, 2001). These different training modes can also be identified in different diversity management paradigms. Different training strategies are explored in the theoretical part of the article to uncover the interrelations between training and development and diversity management. This kind of an approach increases the understanding of how workplaces can be developed towards multiculturalism and how diversity management issues can be promoted.

Through applications of the established frameworks (Thomas & Ely 1996; Dass & Parker 1999; Wrench 2001), it was shown that in the resistance paradigm, organizations increase information only to minorities in order to adapt and assimilate them to workplaces. In the discrimination-and-fairness paradigm, organizations offer information as well to adapt minorities and advise the majority to cope with legislative obligations to avoid discrimination. In the access-and-legitimacy paradigm, organizations increase training to increase mutual understanding and interaction by trying to affect majority attitudes and behaviour. The learning-and-effectiveness paradigm organizations use all of the development modes and aim to change individuals as well as organizational measures and culture towards inclusiveness.

There are also different explanatory factors that can affect the development work of diversity issues perceived to also hinder the results it is trying to achieve. Namely, the effects of training have been identified to depend on various factors such as: the type of training, its content and delivery, trainers' qualifications, resources or management's commitment (Ford & Fisher 1996; Wentling & Palma-Rivas 1998; Jackson & Joshi 2001; Wrench 2001; Bendick et al. 2001). Training and development is often accomplished by external consultants and in fixed, off-the-shelf form for single events (Bendick et al. 2001; Von Bergen et al. 2002). On the individual level, training typically concentrates on increasing awareness and attitude changes. This is criticized as increasing stereotyping, especially, if only celebrating diversity (Moore 1999; Easley 2001;

Litvin 2002; Prasad & Prasad 2002). Other factors that influence training outcomes are said to be the involvement of employees. Empowerment and participation are especially suggested, when enhancing workplace equality and diversity issues, designing new working methods, HRM systems or an enabling working environment (Easley 2001; Cornelius et al. 2001; Cornelius & Bassett-Jones 2002; Cox 2002; Simmons 2004).

The empirical research on the participative method in developing diversity issues is scarce. For these reasons, a two-year long qualitative, multiple case-study was conducted to investigate the activities of 'working culture bridge groups' in 15 Finnish organizations aiming to develop workplace multiculturalism. The groups' activities were followed and analyzed by interviewing the groups and their coordinators as well as through documents produced during the study period. The study findings revealed that the chosen development goals consisted of aims to improve working climate, to promote the acceptance of multiculturalism, to prepare the organization for possible future challenges or to develop immigrants' working conditions. Some groups concentrated on the development of induction (material, processes). The findings also showed that development and training activities mainly focused on individual and majority level attitude changes by increasing knowledge and awareness of multiculturalism issues via information delivery and by offering short-term training (Wrench 1997, 2001). Further, in only a few organizations, the outcomes revealed that the areas of HRM which were seen most crucial in promoting multiculturalism, were induction and assistance in work orientation, presenting organizational level changes. Thus, the main training and development method used – information leverage – from all others available, suggests that it was considered a primary way to change attitudes, being able to increase tolerance and receptiveness for multiculturalism issues. These findings can altogether indicate that either the groups were not conscious of other development methods, or they were not capable to utilize them to a larger extent. Some groups noted, for instance, that HRM was 'in order'.

Nevertheless, almost every group noticed, as achievements of its work, that working climate or culture had changed, which confirms the advantages of a participative development when a working culture/climate change is desired (Ulrich 1997; Easley 2001). This indicates that the working culture bridge groups could, for some organizations, identify and solve problems as well as obtain new ideas and initiatives (Simmons 1995; Ulrich 1997). However, on the part of many organizations, they were not able to extensively bring, for instance, a new design for working methods, empowering HRM systems, or a

culture change. Altogether, the study showed, that as the attitudes of the majority were perceived as the main problem in promoting multiculturalism, development work of the groups was targeted at mainly changing the attitudes of the majority instead of behaviour and organizational measures, which also confirms the earlier research of focusing diversity training on individuals (Wrench 2001; Jackson & Joshi 2001; Bendick et al. 2001).

Additionally, the findings of a participative method could reveal the hindering as well as supporting factors for the development of multiculturalism issues. Namely, the way in which the working culture bridge groups operated and conducted the development work, was affected by the clarity of set goals, adequate resources (mainly time), systemicity of development work at both the individual and organizational level as well as the commitment of management. As previous research has shown, their deficiencies can decrease the effects of diversity training and integration (e.g. Wentling & Palma-Rivas 1998; Bendick et al. 2001; Jayne & Dipboye 2004).

The achievements and the management's interest and/or the non-existence of diversity strategies can also reflect the diversity management paradigm of organizations. In light of this, the outcomes indicate that, with a few exceptions, they can be located into the reactive (resistance and discrimination-and-fairness) paradigms. In this respect, the findings can be said to be similar to the results of the internal research conducted towards the end of the ETMO-project, which indicated minor changes towards multiculturalism with a few positive exceptions (cf. Juuti 2005). The overall contribution of this article is that it offers insights into the benefits and challenges of a development method, which can be used in directing the creation of inclusive working organizations and culture if only used systemically, under supervision, supported by management's commitment and guidance for desired outcomes. It can also be a potential tool in aligning organizational diversity goals with individual needs, to identify possible inequalities and also to increase the effects of diversity initiatives. At the same time, the results highlighted that a domestic bottom-up approach to diversity training and development remained rather superficial and adjusted HRM activities to a limited extent for surface-level changes. This collectively implies that the overall development of diversity and multiculturalism issues requires a broad-based development approach with various kinds of activities at different organizational levels in order to achieve extensive changes.

4.4 The global integration of diversity management: A longitudinal case study

The main objective of article four is to identify what aspects of diversity management are globally integrated in MNCs and what integrating mechanisms are used in facilitating it. The second aim is to ascertain the challenges encountered throughout the integration process. The study examines the process of a planned, top-down, global approach to the integration of diversity management in a European MNC, and investigates the kind of institutionally embedded obstacles that can affect it.

In earlier research it has been found that in an international context, diversity agendas reflect a US bias (Wentling & Palma-Rivas 2000; Jones et al. 2000; Schneider & Barsoux 2003; Egan & Bendick 2003; Ferner et al. 2004; Ferner et al. 2005). Furthermore, US approaches are shown to be resisted and considered ineffective in the EU (Jones et al. 2000; Egan & Bendick 2001; Stuber 2002; Ferner et al. 2005) resulting in a call for more local sensitivity (Wentling & Palma-Rivas 2000; Schneider & Barsoux 2003) especially in the light of institutional, cultural and demographic differences (Kostova 1999; Adler 2002).

In discovering what aspects of diversity management were globally integrated within the case organization, the study applies the distinction between HRM philosophy, policy and practice (Schuler et al. 1993). In exploring the integration mechanisms the study draws on a classification of global integration modes by Kim et al. (2003), namely people-based, information-based, formalisation-based and centralization-based modes of integration. The challenges associated with integration are approached through the application of the country institutional profile (Kostova 1999), which suggests that institutional-based obstacles are likely to derive from misalignments in regulatory (e.g. laws and regulations), normative (e.g. values and norms), or cognitive (e.g. interpretations and frames of thought) institutions, and have been shown to affect the transfer of organizational practices (Kostova & Roth 2002).

The empirical part of the article takes the form of a qualitative, longitudinal, single case study, and explored the design of diversity management and its delivery from the foreign parent to a Finnish subsidiary. The findings reveal that the case organization, TRANSCO, was able to achieve more global consistency at the level of diversity philosophy, but was forced to rely on a more multi-domestic approach to implementing diversity policies and

practices. In the delivery of diversity management, TRANSCO employed a myriad of mutually supporting integrating mechanisms, however integrating activities were much more visible in the array of formalisation-based mechanisms used. The challenges encountered highlighted the peculiarities of the Finnish cognitive and normative institutional context for diversity. During the study period, it emerged that the integration process was unable to have in-depth influences on local diversity policies and practices (Schuler et al. 1993) staying more multi-domestic in nature. It could therefore be argued that whilst the Finnish subsidiary was 'over-performing' in the formal implementation of diversity, it was still considered to be lacking in demonstrating the right behaviours. This could be largely attributed to the obstacles faced at the normative and cognitive levels.

The findings offer evidence that in the integration of global diversity management, the design of diversity philosophies and less so diversity policies can be more easily standardized than diversity practices. In terms of delivery mechanisms, all modes of integration (Kim et al. 2003) were used (people-based, information-based, formalisation-based, centralization-based), but more emphasis was placed on mechanisms other than people.

The contribution of this article is that it reports how different integration methods can be applied to globally integrate diversity and inclusiveness. It also presents an example of a globally integrated, 'top-down' approach to diversity management in an MNC setting. The study also contributes by showing that when diversity management is globally integrated in a non-Anglo-Saxon host context, it is context bound to the local institutional, cultural and demographic environment.

5. CONCLUSIONS

In this chapter, the overall conclusions and contributions of the dissertation are presented as well as its practical implications and suggestions for future research.

Interest in the chosen study derived from arguments and criticism, which HRM in diversity management, and its training and development activities in promoting diversity management issues, as well as the global integration of diversity management is confronted with. The main goal of this thesis was to investigate what kinds of impacts increasing workforce diversity has on HRM within organizations. This goal was targeted through four articles, in which the affects of diversity management on HRM were studied from different perspectives and mainly in longitudinal settings. The contribution of this dissertation was seen in increasing understanding from multiple perspectives and levels to manage diversity, especially at its early stages. It was also considered to offer insights into developing and managing diversity issues in a non-Anglo-Saxon context both on a domestic and global basis as a longitudinal process.

Article one argued that operational HRM activities in managing diversity need to be accommodated, which the findings of the pilot study partly supported encouraging further investigation on the nature of HRM activities in diversity management. Therefore, article two focused on finding out the reasons why and how diversity can impact HRM. The investigation of the relationship between different diversity management paradigms and operational and strategic level HRM activities contributed that a more proactive role from the HR function, both at the operational and strategic levels of HRM in diversity management, was found crucial in order to its supporting diversity, reducing inequalities and adding value by means of diversity.

Article three claimed that diversity training and development often concentrates on individual level interventions considered unable alone to change organizational practices and culture towards diversity. Therefore, participation of employees is seen as useful in creating an inclusive working environment. The outcomes of applying an empowerment-based development method suggested its having more influence and increasing i.e. the application of HRM as a change tool for organizational changes, if gaining more involvement and strategic guidance from management. Article four explored what in diversity management is globally integrated and how. The outcome

highlighted that contrary to the domestic view to diversity management in the other articles, a global perspective acknowledged its importance through commitment to diversity and inclusion at the strategic level, where the application of HRM presented the formalisation-based mechanism in integrating diversity management.

When drawn together, in light of different research settings, the study findings of the significance of HRM activities in managing diversity, the overall conclusion of the dissertation is that the involvement of HRM in managing diversity is related to the perceived importance and value of diversity. The findings thus partly confirmed the earlier arguments of the relevance and importance of the HR function in diversity management in enhancing fairness and equity, for the main part they supported its maintenance of homogeneity and effectiveness (Kossek & Lobel 1996; Kirton & Greene 2005). This conclusion can be justified on the basis of the outcomes, which firstly, supported previous studies where the external and internal pressures (domestic/global), and the priority of diversity are found to influence how diversity is managed as different diversity management paradigms, being either reactive or proactive towards promoting diversity issues (Thomas & Ely 1996; Dass & Parker 1999). Secondly, the study revealed that the chosen conception of diversity along with its management strategy affects the content and delivery of diversity management including HRM, as well as the objectives of training and development (Schuler et al. 1993; Wrench 2001; Kim et al. 2003). Thirdly, through the findings, it could be identified that in diversity management integration, the strategic and operational reactivity or proactivity of HRM (Brockbank 1999) impact on its execution and outcomes. These main findings, thus, suggest explicit interrelations between diversity management and strategic/operational HRM, which are associated with the perceived value of diversity.

The implications of the dissertation are that it showed the relevance of different (reactive/ proactive) diversity management paradigms, which can impact the direction of the reactive or proactive involvement and adjustments of HRM activities in diversity management. The study also indicated that primarily, HRM is used in diversity management in increasing the number of immigrants and in adapting new employees, at least at the early stages of domestic cultural diversification. This became evident when searching for new recruitment potential or to reduce staff turnover; domestic organizations only adjusted recruiting and induction practices, while other training and development, financial rewarding and performance appraisal, as well as HRM strategy,

remained mostly untouched. This supports diversity and its management being considered only as an operational level HRM issue.

HRM was found to become more significant and involved in managing diversity when the importance of diversity and pressures for its promotion increased, suggesting diversity to become a more strategic issue in management (Ely & Thomas 2001; Cornelius et al. 2001). This was identified, particularly, in the global approach to diversity management and in organizations where HRM activities were more proactively applied both at the strategic and operational levels in order to increase the effects of diversity to add value or to maintain competitiveness due to mainly external forces such as labour shortage. At this stage, diversity thus became and was perceived as a strategic level HRM issue. Moreover, when organizations recognized that diversity can increase value and offer benefits, it was found that such proactive diversity management organizations also started to offer diversity training to some extent to individuals in order to increase understanding of diversity.

Previously, it has also been noticed that HRM can be widely used in change interventions (Ulrich 1997; Thornhill et al. 2000). In this study, the minor usage of HRM in conducting changes became obvious, when an empowerment-based diversity training and development method was applied in developing multiculturalism and working cultures. Namely, in most case organizations, in a bottom-up development approach, from various HRM activities, only individual level training was used implying that the main change area was seen as the attitude(s) of majority members. This is, however, in congruence with what is earlier stated of diversity training often focusing on individuals (Bendick et al. 2001; Von Bergen et al. 2002). The induction process was the other operational HRM activity that was adjusted in some cases. This can collectively indicate that the way in which the development groups worked was not the most effective way to identify the application of various HRM activities to manage diversity and, therefore, not a proactive means for conducting organization level or cultural changes. That is why, by paying attention to various factors (clear goals, modes of action, systemicity, management commitment, guidance, control, resources), the method's capability to promote diversity and multiculturalism can be increased.

Contrary to the domestic view of developing and integrating diversity management, a planned, top-down strategically driven approach on a global basis, can be considered a holistic change process, in which HRM is considered as the means to facilitate diversity issues. The development approach was thus

in line with what is stated as prerequisites of successful diversity management including the strategic, systemic integration of diversity by means of HRM (Cox 1993; Cornelius et al. 2001; Gagnon & Cornelius, 2002). However, in the global approach, at its early stages, it could be identified in the design of the intervention (philosophy, policies, practices) (Schuler et al. 1993) and in its various delivery methods (Kim et al. 2003) that HRM appeared to be a tool for formalizing and mainstreaming diversity and inclusiveness mainly into performance appraisal and rewarding. As the overall emphasis in the integration of diversity management was placed on mechanisms (information, formalisation, centralization) other than people, the evidence showed that in the global context, HRM activities were mainly applied in conjunction to the formalisation-based mode of transfer.

Altogether, in this dissertation, HRM was found to achieve a limited role in diversity management, because diversity was not deemed to gain in case organizations any proactively strategic priority with exceptions of the global and a few domestic organizations. Therefore, this study evidenced that even though HRM issues in earlier research have been considered important in managing diversity successfully (Kossek & Lobel 1996; Kandola & Fullerton 1998; Kirton & Greene 2005), they were not widely acknowledged or identified as such probably due to the early stages of diversification. On the other hand, the study could identify the different evolution stages of HRM and support the earlier research that HRM activities can change from operationally and strategically reactive towards becoming operationally and strategically proactive also in managing diversity (cf. Brockbank 1999). Namely, the evidence from the organizations, which defined and perceived diversity management issues crucial for organizational objectives, confirms, that the strategic and operational HRM activities can be used proactively in diversity management. As a whole, the study complements and contributes to the existing research by showing that proactivity, both at the strategic and operational level of HRM, is crucial in diversity management in order to add value through means of diversity.

The overall outcome of the dissertation contributes thus to the increased understanding of the HR function in diversity management by explaining the reasons for the non-/application of HRM activities and its perceived importance in managing diversity. Particularly, by being able to show, to what extent HRM is a diversity issue, how and why it is justified and adjusted in diversity management extends the work done by others. Further, the study contributes by offering knowledge of factors for identifying the modes of training and

developing diversity issues in an organization. Despite the generalizability of case studies being limited (Yin 2003; Eisenhardt 1989; Patton 2002), the study highlights that contrary to the domestic perspective to diversity management, or more a lack of the proactivity within it, a global approach acknowledges its importance through commitment at the strategic level and perceives the integration of diversity management as a holistic change process.

Practical implications

The study also offers perspectives to holistic diversity management for practitioners. It assists in identifying alternative diversity management approaches, to find dimensions for training and development interventions and to locate the HRM activities. Further, the positioning of their own paradigm can help an organization to recognize how diversity is at present perceived and developed, whether diversity is aligned with business strategy and along with HR strategies, policies and practices and why the HRM function is not/applied in leveraging diversity and inclusion. The approach of an organization to diversity management can thus reveal, if managing diversity is more rhetoric than reality.

On the basis of the study results and what the organizations have done, found useful and perceived beneficial in managing diversity and especially, in its development and within HRM in order to gain advantages from diversity, the following recommendations are suggested in developing a diverse workplace and promoting diversity issues. According to the study, the motives and importance to manage diversity are manifested in organizations' and its management's strategic response, either reactive or proactive, to diversity and equality issues, which is reflected in the nature of diversity management. Therefore, the implementation of diversity management is choices between: no changes, corrections or improvements of existing measures at the individual and/or organizational levels, which are impacted by the perceived value of diversity.

Because reactive diversity management treats individuals from a functionalist, normative perspective, it is not an effective approach to manage diversity. That is why, when approaching diversity from a proactive diversity management perspective and especially in the light of the learning-and-effectiveness paradigm, the value of individuals can be increased. Then, employees can provide meaning through their actions, being also able to influence the reality

of an organization (Omanovic 2002; Burrell & Morgan 1979). The potential of people can also improve effectiveness and productivity, if they are not viewed as mere objects, but rather, according to their capabilities. The recognition of diversity to add value can, therefore, require a change of the paradigm suggesting that organizations locate themselves first as to the present diversity management paradigm in order to plan the change interventions.

From the evidence of the most advanced organizations in managing diversity in the study, it can be learned that they approached (or aimed at) diversity management from a holistic change perspective. Further, their way of action indicated, what should be done and developed especially within HRM, when a proactive diversity management strategy is promoted. Then particularly, the mechanism behind the integration of diversity management referred to a proactive business strategy and strategic HRM approach in terms of recognizing diversity to add competitive advantage, as well as to its implementation with proactive operational HRM activities (recruiting, training and development, performance appraisal, rewarding). Therefore, one main challenge in developing diversity management is, how to change the strategic HRM to support diversity in adding value as a part of the business strategy, and how to change the operational HRM to implement it.

Altogether, the role of the HR function can be said to contribute to the success of diversity management and its integration, if only developed towards a reflective, proactive, internal driver to be able to affect dominant business strategy, HRM strategy, policies and practices as well as culture and power relations. Only then, through proactive strategic and operational level HRM activities, an organization's ability or preparedness for changes due to diversity increases. In light of this, HRM is suggested to be positioned in diversity management and used as a change tool in order to enhance workplace diversity and equity. Within HRM itself, its changes are then towards improvements to existing or renewals.

As the study showed, the development of a diverse workplace can be seen as a holistic change process, where through a holistic and systemic approach to training and development, a proactive diversity strategy can be realized. Namely, successful diversity management with its proactive strategic, holistic and systemic integration by means of HRM requires broadly based training and development activities both at individual and organizational levels. Another challenge in diversity management is, thereby, the effectiveness of the methods of the training and development initiatives in order to increase equity and

inclusion in the workplace. It is recommended, that instead of isolated training interventions to change only attitudes, behaviour and interactions skills of individuals, also organizational practices, structure, culture and power relations need to be taken into consideration. It is also vital to gain the commitment of top management for developing diversity management issues as well as to enhance the overall knowledge of it. That is why, the persons responsible for recruiting, or induction, managers and the rest of the personnel, need to be trained for increased understanding of diversity and what it necessitates from each person to benefit from diversity.

The success of diversity management integration can also increase, when it is conducted at the same time as a top-down and down-top approach combined with simultaneous side-to-side changes. The evidence from a participative development method supports this view, as it showed that in order for the method becoming a powerful tool in promoting diversity issues, the management's commitment to developing diversity management is fundamental. Additionally, its control and guidance in setting the goals for relevant development interventions as well as i.e. sufficient resources, participation of different employee groups and levels, increasing knowledge of the subject, professional skills for project management and continuous evaluation are suggested in order to conduct a change process in the long term.

A strategic, top-down development approach in globally integrating diversity management witnessed the usage of various kinds of integration mechanisms, at least, at the early stages. Due to a strict follow-up of annual plans and reporting, the strengths of different mechanisms were recognized in formally internalizing diversity philosophy into organizational policies and practices rather than into individual minds. Therefore, the whole array of different methods (people, information, centralization, formalization) is needed, but their dis/advantages need to be recognized. The findings also implied that an institutional environment and its regulatory, normative, cognitive schemes influence how diversity is perceived and understood in a context. Finland and Finnish workplaces seemed to remain an intriguing and complex context for diversity contrasted with extensive, world-class equality legislation and inexperience with diversity issues or its management. This all implies that because of local institutions, globally integrating diversity management is, particularly at the individual level, a challenge because the mindset of people as well as values, norms, cognition are slow to change. Thus the local exogenous factors need to be considered when practical level interventions (national, organizations) are planned.

To conclude, this dissertation has provided knowledge on how organizations can manage and develop themselves in attuning to diversity management. The study shows how such organizations, which are on their way to recognizing and perceiving diversity as an equal or even strategic resource and capability, start to pay more attention to it. It also indicates how organizations can be positioned according to their reactivity and/or proactivity towards diversity management issues and how HRM can change from being first strategically and operationally reactive, towards being strategically and operationally proactive in managing diversity. The dissertation also reveals when diversity issues become domestically or globally important, commitment to their development increases.

The new reality of increased diversity can assume a more systemic and holistic strategic approach to its management and development with proactive, sustainable and socially responsible HRM. Therefore, further research is suggested to explore options for HRM both at its strategic and operational levels to add value through diversity and to attract, retain and motivate a diverse workforce. This could be done by means of refining the framework of the function of HR in diversity management paradigms. It could also be used in exploring, in addition to training and development, other HRM activities such as recruiting, performance appraisal and rewarding in order to show in more detail their role and significance in diversity management and its integration.

The established framework could also be applied in further investigations to support the development of human resources as capabilities, promote the agency and participation/inclusion of everybody in order to transform the well-being, development of opportunities of employees into the strength of an organization. In developing and promoting diversity management by a down-top participative method, it is suggested to investigate increasing its ability in recognizing and locating the needs for organizational change(s) and in their implementation. With regard to how global diversity management is designed and delivered as differentiated activities occurring at various organizational levels, it is proposed to find more empirical evidence in a non-Anglo-Saxon context on the appropriateness of the global versus multi-domestic strategy in integrating diversity management. The research could aim to find support for the assertions of this study that more global integration and consistency of diversity philosophies supersede nationality, and leans towards a multi-domestic approach to diversity policies and practices which are more demographically and institutionally embedded and more susceptible to Anglo-Saxon cultural bias.

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Implications of an Emerging Diverse Workforce in HRM A Multiple Case-study among Finnish Organisations

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ABSTRACT

Even in traditionally homogeneous countries, the management of cultural and ethnic-based diversity is in increasing demands as diversity begins to emerge. This paper examines the causes of diversity, the benefits obtained and challenges precipitated by diversity as well as the human resource management (HRM) of a diverse workforce. Most of the studies into diversity are typically carried out in contexts where the level of diversity is high. This paper highlights issues that are typical at the emergent stage of diversification. Data was gathered by a multiple case study and consisted of ten organizations in Finland.

The findings suggest several causes for diversity at its early stages in organizations, including the search for new recruitment potential, the search for potential benefits from diversity, and the pursuit of a reduction in staff turnover. In terms of the benefits obtained from diversity, improved customer service quality, recruitment potential, improved cultural competence, innovativeness and better working climate were cited. The biggest challenges presented by diversity among the organizations studied were insufficient professional and language skills, the need for flexibility regarding cultural differences, different conceptions of work, and differences in gender roles in working life. Changes in HRM resulting from greater diversity were most significant in recruitment as well as training and development. Since diversity is still in its infancy in the Finnish context, HRM strategies had generally not yet been modified to incorporate diversity. This was also evident in policies relating to compensation and performance appraisal.

Keywords – Emerging cultural diversity, Diversity management, HRM, Finland, Qualitative research

Introduction

During the past decade, a continuous stream of academic articles with multiple approaches to diversity has generated distinctive schools in the field of diversity studies. Approaches such as value in diversity and the resource-based view of diversification in an organization suggest that diversity has a positive

influence on the organization, for example through improved problem-solving, innovativeness, and customer service quality (Richard 2000; McLeod et al. 1996; Cox & Blake 1991). On the other hand, approaches such as social identity theory, which suggests that people will have enough similarity with each other to form a group and enough dissimilarity with other groups so as to form barriers (see e.g. Palmer 2003), imply that the impact of diversity may be negative through conflict sensitivity, decreased communication, and a threat to present employees (Thomas 1996; Chatman et al. 1998). There are multiple causes for diversity, which vary from country to country, including: changes in demographics, the growing global activities of organizations, the potential benefits of diversity (see e.g. Konrad 2003; Carrel et al. 1995).

For example, during the past 15 – 20 years, Finland has changed from an outward immigration to inward immigration country (Forsander 2002), in which the number of foreign nationals has increased from approximately 15 000 to nearly 114 000 (circa 2 % of the whole population of about 5 million) (Statistics Finland 2006). During the 1990s, the relative number of immigrants has also increased more rapidly than in any other Western European country (Pitkänen and Kouki 2002). At the same time, the reasons for immigration have diversified (e.g. Pitkänen 2006) including: asylum seekers, refugees, labour migrants, people who have migrated because of marriage or family unification, repatriates (a.k.a) people with Finnish roots etc. (Wahlbeck 2003). The unemployment rate of immigrants is about 26 per cent vs. 7 per cent among nationals (Ministry of Labour 2006), excluding the labour migrants. Therefore, the participation of immigrants in the labour market is still at quite a low level. On the other hand, the declining domestic workforce due to an aging population is being in part offset by the employment of an increasingly foreign workforce (Forsander 2000). Since almost 900,000 employees will exit the labour market within the next fifteen years (Tiainen 2003), the diminishing skilled Finnish workforce as well as high turnover and retirement rates can increase interest in recruiting more foreign labour. With regards to legislation promoting immigrants' employment and equal treatment, during 2004, the new law Equality/Non-Discrimination Act was launched proclaiming a general prohibition of discrimination (direct, indirect) in working life on grounds of gender, national or ethnic origin, age, religion, disability, sexual orientation, etc. A new work-related immigration policy was also recently approved by the government (Government Migration Policy Program 19.10.2006).

In order to address the various challenges of increasing diversity, the role of HRM has been championed (Kossek et al. 2003; Miller 1996). For example, DeNisi and Griffin (2001) state that HRM strategy influences how people are treated in the context of diversity and the modification of HRM can

effectively support diversity management. Furthermore, it has been presented, that in managing diversity HRM can have a key role (Kirton & Greene 2004; Kandola & Fullerton 1998; Agócs & Burr 1996). For these reasons, the impact of cultural diversity on HRM itself should be further empirically researched in order to find out its suggested relevance in managing diversity, and especially in a context where the topic is only emerging and thus far largely bypassed.

In light of this, the objective of this pilot study is to investigate 1) what the reasons, benefits and challenges of emerging cultural diversity are and 2) what implications it has for HRM. This was carried out within ten Finnish organizations. Firstly, the relevant approaches to diversity and the methodology used in the study are introduced before presenting the findings and drawing conclusions.

Diversity management

Workplace diversity is often connected to the composition of a workforce, in particular the mixture of employees by observing only demographic factors. On an individual level, diversity can be narrowly defined as differences relating to race, culture, ethnicity, age and gender (see e.g. Kandola & Fullerton 1998; Kossek & Lobel 1996; Cox 1993), which refers to traditional forms of diversity, in which employees are considered as members of different identity groups (Thomas & Ely 1996). The definition can, however, be broadened to cover all characteristics and features of employees including capabilities, education, religion, language, lifestyle etc. (see e.g. Moore 1999; Kandola & Fullerton 1998; Kossek & Lobel 1996; Cox 1993). In this study, diversity is limited to cultural- and ethnic-based factors of diversity, due to it being emerging and, thus, becoming topical.

Managing diversity in an organizational context can be approached by legislative or voluntary procedures, which form the two mainstream approaches to diversity management. The two different theoretical bases for dealing with diversity are *equal opportunity legislation (EO)* and *Diversity Management (DM)* (Kirton & Greene 2004; Kandola & Fullerton 1998; Thomas & Ely 1996), their rationales being in the first the need for social justice as a moral case, and the needs of the organization as a business case in the latter (Noon & Obgonna 2001). DM is viewed as an alternative approach to equal opportunity policies and practices, especially in Anglo-Saxon countries based on a business case and effective management of differences (Cassell 2001). Managing diversity can also be viewed as a way of achieving a strategic competitive advantage (Ancona et al. 1996), as holding the key to gain competitive advantage in international markets (Florkowski 1996) or for managing increasing domestic multiculturalism (Deresky 2000). Kossek and Lobel (1996),

on the other hand, cite three traditional approaches to diversity that are used - diversity enlargement, diversity sensitivity and cultural audits. They all have common factors, which partly prevent organizations from utilising and seeing the benefits of its workforce. That is to say, they do not reinforce culture change(s); they are separate strategies without linkages to different HRM activities and they assume that all subgroups have the same kinds of HRM needs. Therefore, it is suggested that a more effective approach is to integrate diversity strategy within all HRM policy areas such as HRM strategy, recruitment, training and development, rewarding and performance appraisal, as well as with the company mission and the overall business strategy. (Kirton & Greene 2004; DeNisi & Griffin 2001; Kossek & Lobel 1996; Tayeb 1996; Wilson 1996.)

Earlier research offers further perspectives from which to approach diversity. For instance, Leach et al. (1995) emphasise working with diversity rather than managing diversity because managing exercises control and direction, whereas working with it challenges the organization to be curious, interactive, reflective and experimental. In promoting workplace equality and in addition to obligatory legislative initiatives, attention is increasingly being paid to how working communities and individuals can be managed as a means of gaining competitive advantage, maximizing its potential, and avoiding possible conflicts. To achieve this level, it is stated that management should understand and value diversity in order to create a culture and atmosphere of respect for everybody (DeNisi & Griffin 2001; Deresky 2000). It is, however, important to understand that to be able to approach diversity effectively, it must, among other things, be linked to a business objective and be inclusive of all employees.

Causes, benefits and challenges

The Workforce 2000 research report (see e.g. Mondy & Noe 2004; Konrad 2003; Johnson & Packer 1987) introduced several key reasons for diversification of organizations that are later proved and supported. The first reason is significant changes in labour market demographics. It has been observed, on a global scale, that traditional groups are becoming equal with untraditional groups in terms of numbers (e.g. ethnic minorities). Organizations that seek to obtain the best quality workforce must accordingly widen their scope of recruitment beyond traditional groups (Konrad 2003; Carrell et al. 1995). The change in demographics has itself been a key driver of change in legislation that in turn generates further diversification (Mondy & Noe 2004). Another reason is the growing global activities of organizations. This new situation brings

organizations into multiple local cultures that require a locally based workforce to maintain and improve customer service.

In addition to these, one other suggested reason for diversification in research is said to be the potential benefits that are obtainable as the workforce becomes increasingly diverse (Konrad 2003). Such benefits of a diverse workforce are seen as a source of competitiveness, which depends on the abilities of an organization to find and attract different talents and capabilities, and on the ability to respect and utilise all of these employees (DeNisi & Griffin 2001; Deresky 2000). By implementing a diversity strategy or policy, organizations expect short- or long-term benefits (European Commission, 2003). Competitive advantage can be gained by reducing costs (turnover, absenteeism), incorporating the new labour market, increasing market knowledge, promoting creativity and innovation, improving problem-solving and enhancing organizational flexibility. A good reputation as a multicultural workplace is also perceived to be a sign of commitment to social responsibility by the organization. (See e.g. Konrad 2003; Cunningham & James 2001; DeNisi & Griffin 2001; Deresky 2000; Wilson 1996.)

It has also been widely argued that challenges inherent in workforce diversity are related to cultural differences in working habits, problems in interaction, distrust and hostility which can create conflicts, all of which affect collaboration and decision making (DeNisi & Griffin 2001; Wilson 1996). Solving possible conflicts is considered to be more complicated and difficult when the parties are members of different identity groups (Thompson & Gooler 1996). The phenomena of diversification can also be seen as a threat to traditionally powerful groups in organizations (Heneman et al. 1996). Therefore, HRM is argued to present a conceivable tool with which to obtain the potential benefits from diversity and to deal with the possible challenges (Kirton & Greene 2004). It is the role of HRM to which we now turn.

HRM in diversity management

As discussed earlier, an effective diversity strategy should be integrated within HRM processes (Kossek & Lobel 1996). In order to make the most of workforce diversity, the commitment of management and personnel is stressed when implementing various diversity initiatives such as training or change interventions. It is also stated that diversity management can become successful when it affects HRM strategy, policies and practices, which are seen as a means to influence attitudes, behaviour and organizational culture. (Kirton & Greene 2004; DeNisi & Griffin 2001; Kossek & Lobel 1996; Tayeb 1996; Wilson 1996.)

The ability of 'traditional' HRM in managing the 'new' diverse workforce and in promoting workplace equality and diversity is, however,

criticized. It is said e.g. that even if the change in composition moves towards a more diverse workforce, the tendency of HRM is to maintain homogeneity and similarity in working organizations (Mlekov & Lundgren 2002; Tayeb 1996). Instead of HRM supporting the homogeneity, it should adapt to new changes in environment, society, and markets, and change the policies and procedures to meet the new challenges (Kossek & Lobel 1996). In this situation, the challenge of HRM is to create ways to attract, motivate and develop employees in order to retain employees and decrease their turnover. Therefore, Heneman et al. (1996) suggest that diversity should be integrated to HRM (Human Resources) planning. In this way, e.g. recruitment and advancement of immigrants could be supported. In other words, HRM with its various activities should promote diversity and respond to the new business environment.

Organizations that adopt diversity policies often align their HRM, meaning that key HRM activities (recruitment, rewarding, training and development, performance appraisal) are modified for regulatory, ethical and economic reasons (European Commission 2003). Also, to make the benefits of diversity realisable, diversity as a strategy should be present at all levels of an organization (Dass & Parker 1996; Kossek & Lobel 1996). In summary, HRM is seen to have a central role in promoting diversity (Kirton & Greene 2004 DeNisi & Griffin 2001; Kossek & Lobel 1996) and in carrying out organizational changes (Ulrich 1997). The kind(s) of changes that are accomplished within HRM, are, however, dependant on both the attitude of the organization as to the significance of diversity and the external/internal pressures to promote it (e.g. legislation and business objectives) (Dass & Parker 1999). These changes of HRM are covered next.

Recruitment can be seen a central HRM activity in terms of building a diverse organization. Typically, the former approach to diversity and recruitment, including selection, was designed for a traditional workforce, not applying the principles of diversity, and thereby creating several obstacles to the development of diversity within an organization. Diversity can be perceived as an obstacle to work; certain groups of individuals are not seen as potential employees, and stereotyping of jobs traditionally done exclusively by men or women only (e.g. Heneman, Waldeck & Cushnie 1996). Other recognized hindrances are found to be, among others, negative affects of family/private life on effectiveness at work, perceived willingness of disabled people to search for a job (which could even be tailored) and the lack of social networks (ibid.).

The important questions are, therefore, who is recruiting, when it happens, and how the process is formulated (Cascio 1998). The traditional way of recruiting is said to lead to selecting persons who 'fit' the organization (Mlekov & Lundgren 2002) with similar archetypes, behaviour and set of values

(Gómez-Mejía et al. 2001). Therefore, suggested adjustments and changes within the recruitment and selection criteria include, for instance, to support cultural diversity, bias-free job description (essential competencies, language skills), targeted external recruitment advertising and communication, co-operation with stakeholder groups (employment, community authorities, immigration authorities, charity or support organizations), outsourcing and usage of external assessment of required job qualifications to guarantee objectivity (Mondy & Noe 2004; Gooch & Blackburn 2002; Arvey et al. 1996).

Accordingly, in the testing of applicants, the existing measurement methods may not be relevant in light of other cultural backgrounds (Cascio 1998), that is why the validity of tests in predicting performance and administration by trained testers is addressed (Gooch & Blackburn 2002). Also, instead of cognitive tests for the reliability of selection, it has been suggested to use, for example, interviews with several interviewers, who have knowledge of other cultures; body language, use of language and style of speaking (cf. e.g. Arvey et al. 1996; Heneman et al. 1996). The documentation (certificates, language) of work experience, qualifications, or at the general level, the know-how and capabilities and their reliability can as well cause hindrances in becoming selected (ibid.). Respectively, the overall costs, especially in the external recruitment of a diverse workforce, can become higher or more time-consuming than with majority representatives.

Similarly, diversity challenges traditional *training and development*. To be able to obtain the potential benefits from diversity as quickly as possible, differences should be accepted and more resources should be channeled into training and development. Large, bulk-style methods are not efficient in the diverse context, since they are typically inadaptable for individuals, which is essential when working with diversity (Ford & Fisher 1996). On these grounds, the following adjustments or changes are suggested, for example, in work induction and vocational training. Induction is said to be crucial for employee adjustment to the job and organization and for also quickly raising the quality of work performance as well as in supporting retention (cf. Gooch & Blackburn 2002; Kramm & Hall 1996; Kauhanen 2003). Additionally, increasing the number of instructors from minority groups and their knowledge/awareness of cultural diversity issues are considered to advance the induction process through improved communication and individual-level orientation (Ross-Gordon & Brooks 2004; Kramm & Hall 1996). Also new methods (official company information in advance, mentoring, and support network) and recognition of socialization time are suggested in order to improve working abilities and skills (Gooch & Blackburn 2002). In addition, explicit information on employment conditions (working time, compensation, holiday and sickness

leave etc.) can be seen to form a part of induction (Ardts et al. 2001). In vocational training, attention is suggested to be paid to equal opportunities for advancement/development, time, resources, modes of training and learning methods towards individual needs, and the assessment of the actual performance level (Vanhala et al. 2002; Ford & Fisher 1996). Additionally, organizations can organize special individual level 'diversity' training covering issues such as information provision, cultural, ethnic and racial awareness, interaction skills, intercultural communication and knowledge e.g. on equality legislation, aimed either at the minority or majority or both, often especially targeted at managers (Wrench 2001; Deresky 2000). Overall, the aim of diversity training is towards organizational culture change (including values and attitudes): openness, responsiveness and flexibility (Wrench 2001, Ford & Fisher 1996).

Rewarding, whether it is financial or not, face challenges in the diverse context. Financial rewarding has different meaning to individuals from different cultures and contexts. For instance, Barber and Daly (1996) suggest that individuals from collective cultures prefer financial rewards. The impact of non-financial rewards varies as well. The meaning of social rewards is considered to be higher for individuals from individualistic cultures (ibid.). These notions imply that in motivating a diverse workforce the challenge is to adjust rewarding according to individual preferences, affected by background, culture, religion, in order to award and be perceived as valuable, however, delivered on an equal and fair basis (Yukl 1994). That is why advancement, flexibility in working arrangements and hours, job rotation, participation, family/private- and work-life balance, allowance of religious practice/observance etc. can be seen as aspects showing valuation of diversity, offering alternative sources of motivation and rewarding (see e.g. Gooch & Blackburn 2002; Kossek & Lobel 1996; Arvey et al. 1996). Additionally, leisure-time activities, acknowledgments, gifts, praising and acknowledging, feedback, celebrations and other benefits can become subjects for adjustment or change in gaining a desired motivation impact.

In *performance appraisal*, it is essential that the criteria used are commonly known and it is actually used/followed-up in reality. Unclear criteria create conflicts and feelings of inequality (Cascio 1998). Important factors are the implicit models of the individuals/evaluators performing the appraisal, because they often represent the majority, its culture and values. It is stated that those models are unavoidable, but their impact can be reduced via training and information distribution. The predominant culture dictates the norm and the definition of good and bad in context, and therefore is one affecting factor (Chen & DiTomaso 1996).

The aim of training is, therefore, to decrease perceptions of inequality or biased appraisal and increase its objectivity by concentrating only on work performance and outcome instead of the characteristics of a person (e.g. age, gender, cultural background, disability). Particularly, differences or different conceptions of work, working habits, team work, group harmony, self-initiative, supervisor-subordinate relations often contrast between individuals from collective vs. individualistic cultures, causing misunderstandings which may affect appraisal (Chen & DiTomaso 1996). Because performance appraisal is often included in development discussions (allowing two-way feedback), their purpose can be clarified in order to avoid dissatisfaction with appraisal outcomes. More attention can, therefore, be paid to the development of performance appraisal criteria and tools (e.g. various sources) as well as working conditions (Carrell 1995).

As noted, diversity management and HRM address fairness and can, arguably, be said to be linked and affecting one another, through interaction of various factors. Next, in the empirical part of the study, the implications of emerging cultural diversity for HRM are turned to.

Methodology

This exploratory study makes primary use of qualitative research methods while seeking to increase the level of knowledge of the theme; the implications of emerging cultural diversity on HRM in a novel context. A qualitative research approach is particularly utilisable when the object is to reach individuals' thoughts and perceptions on certain topic (Imms 2000). A case study approach is considered useful in finding essential factors, insights or background information (Stake 2004). A multiple case study design was used in this study (Yin 1994), because it allows an in-depth study of the phenomenon when the issue of contextuality is of importance in interpreting the data. Also, Bromley (1986) suggests that multiple case study is utilisable in a situation where a rich interpretation is strived and context is seen as valuable.

The data was collected during the years 2002 and 2004 in ten Finnish organizations each employing more than 250 employees. Organizations operated both in private (service, n=4, retail, n=1, production, n=3) and public sectors (municipal organizations, n=2). Two private service organizations were subsidiaries of multinationals. Each of these organizations had different levels of experience with the emerging diversification of personnel and its consequences to HRM practices. Those interviewed were responsible for HRM issues, or when applicable, were in a position to be knowledgeable on HRM and diversity topics (HRM managers/directors/planners, senior line executives,

equality assistants). In three organizations, one person was interviewed, at least two in the others.

As an interview method, semi-structured interviews (n=22) were conducted, because they offered a means to investigate personal subjective experiences and to obtain in-depth information from the interviewed persons (Hirsjärvi & Hurme 2004). Holstein and Gubrium (1995) add that thematically oriented and organized interviews are suitable when the aim is to analyze different persons' attitudes, opinions, experiences and observations. The interviews focused on the following themes: 1) the causes, benefits and challenges arising from diversification of the workforce, 2) implications of diversity on HRM (HRM strategy, recruitment, training & development, reward, performance appraisal).

In order to support the validity of the study, for the most part, more than one key informant in each organization were interviewed; the interview outline was clarified and agreed by telephone or e-mail by each person. The interviews were taped, transcribed in full and analysed using textual analysis software. In 80 % of the cases, the texts were also successfully delivered back to the interviewed person, and in this way, the possibility was given for them to comment on the reliability of the interviews. Direct quotations are also used to increase the reliability of the study (Silverman 2001).

Findings

The presentation of the findings is made theme by theme with some quotations, because they are typical in case studies for supporting the evidence and presenting the nature of the findings. The situation of each case will be introduced under each theme. The most important findings will be gathered together in table format due to the number of cases and the available space in order to get a clear and comprehensive picture of the emphasis in HRM and the nature of the implications in the context of the emerging workforce diversity. The causes, benefits and challenges precipitated by increasing diversity in the case organizations are presented in Table 1.

Table 1: Causes, benefits and challenges of diversification across case organizations

| Case org. | Causes of diversification | Benefits of diversification | Challenges of diversification |
|-----------|--|---|--|
| a. | Search for improved innovativeness and new recruitment potential | Improved innovativeness, recruitment potential, and activity of the staff | Insufficient professional and language skills, different conceptions of work |

| | | | |
|----|---|--|---|
| b. | Search for new recruitment potential and a reduction in turnover | Improved quality of customer service and recruitment potential | Insufficient language skills, different conceptions of work and gender roles |
| c. | Nature of the branch, universality of abilities, search for new recruitment potential | Improved quality of customer service, working atmosphere, recruitment potential, and cultural competence | Insufficient language skills and knowledge of contents in legislation, different conceptions of work and gender roles |
| d. | Search for new recruitment potential and a reduction in turnover | Improved cultural competence, quality of customer service, and working atmosphere | Insufficient professional and language skills, need for flexibility towards cultural differences |
| e. | Pursuit of improved innovativeness and customer service | Improved quality of customer service, working atmosphere, and innovativeness | Insufficient language skills |
| f. | Pursuit of a reduction in turnover | Improved recruitment potential and quality of customer service | Insufficient professional and language skills, need for flexibility towards cultural differences |
| g. | Pursuit of improved customer service and new recruitment potential | Improved atmosphere, innovativeness, and recruitment potential | Insufficient language skills, different conceptions of work, need for flexibility towards cultural differences |
| h. | Search for improved customer service | Improved cultural competence | Insufficient language skills, need for flexibility towards cultural differences |
| i. | Pursuit of improved innovativeness | Improved cultural competence and innovativeness | Insufficient language skills, need for flexibility towards cultural differences |
| j. | Pursuit of improved innovativeness and customer service | Improved quality of customer service, innovativeness, and cultural competence | Insufficient language skills, need for flexibility towards cultural differences |

The case organizations considered the most important drivers of diversity to be the search for new recruitment potential (n=5) and the reduction of staff turnover (n=3). These refer to the specific situation in Finland, where the availability of the traditional workforce is showing initial signs of weakening (Forsander 2000). Representatives from two of the organizations involved in the study describe the situation as:

"We find ourselves in the same situation as other organizations where the population/workforce is aging or ailing. Our greatest challenge at the moment is in finding persons of suitable age and skills, that is to say i.e. we are recruiting new employees and retaining the older ones."

"... you could say that in the capital area and southern Finland that there is the occasional problem of finding workers. It is partially a reason which might affect why the staff is more diverse..."

The above quotes lean towards causes cited in earlier research (Johnson & Packer 1987). It has been reported that significant changes in the demographics of potential employees is a cause of diversification in organizations. Earlier research also suggests that the growing global activities of organizations lead to increased diversity (Konrad 2003). This was not recognised as a cause in this study, which is partly due to the types of case organization (i.e. only two affiliates of foreign organizations were included in the study). Some of the case organizations are increasing in diversity in order to realise the potential benefits of diversity. The pursuit of improved customer service (n=4) reflects how customers are also currently applying increasing pressure on organizations to become more diversified. Improved innovativeness is also cited as a reason for increasing diversity (n=5). This is seen, for example, in comments made by one of the participants:

"...first of all, I noticed surprising enthusiasm while making observations in the field, with these kinds of innovativeness and maybe a new sort of way of working..."

Some organizations (= 7) also mention an improved work atmosphere and improved cultural competency as benefits. This is seen in the following descriptions:

"...when he was able to speak reasonable Finnish, he would tell us about their ways during coffee break. We were interested in their Easter, Ramadan and everything – him being a Muslim, Islamic. And we in turn would tell him about our ways. He was interested in our stories and it was really nice and he liked his work and did it well..."

"...these foreign applicants really complement the Finnish group that were applying for the position. And then there's the rich work environment, I mean that this multiculturalism really enriches in a good way and this means we can all learn from each other."

Improvements in customer service and innovativeness are suggested as drivers of diversity in prior research findings (e.g. Konrad 2003; Carrell et al. 1995), to which our study adds further corroboratory evidence.

The case organizations also reported to have obtained clear benefits from diversification. Improved customer service quality (n=6), recruitment potential (n=5), and cultural competence (n=5) were typically mentioned in responses. Other benefits included improved innovativeness (n=5) and a better working atmosphere (n=3). It has also been earlier suggested that increases in diversity can help organizations to obtain competitive advantages through the reduction of costs, increased market knowledge, promotion of team creativity and innovation (e.g. Konrad 2003; DeNisi & Griffin 2001; Deresky 2000; Wilson 1996).

Every one of the case organizations had experienced some degree of challenge from the emerging diversification. Insufficient language skills (n=10) were given as the biggest challenge in our sample of organizations. The key role of language becomes apparent in the following:

*"...if we could remove the language barrier we would be in really good shape."
"Well, you need to proceed with a bit of common sense, but these problems come up from time to time, meaning language skills and misunderstandings are typical. Then there's how things are interpreted in some cultures, how expressions, gestures, attitudes etc. are taken."*

Other challenges included the organizations' need for greater flexibility towards cultural differences (n=6), different conceptions of work (n=4) and gender roles (female supervisors) in working life (n=2), and insufficient professional skills (n=3). The next examples illustrate how gender issues can be challenging:

"...when the worker in question is a woman, the head of the family, the father, wants to exert his influence even into work life."

"...it has nothing to do with whether you are a good supervisor or not, it's just that in some cultures women are not supervisors, but then he encounters this in Finland and that's the way it is here."

Another organization's representative gives an example of how Finnish labour laws are not well known and the challenges of this:

"...the game rules that Finnish employment contracts bring into play at work can be easily interpreted as racist, because, depending on where they're from, it could be that they've never heard of the concept of an employment contract, and haven't necessarily heard of a labour union either."

These findings of the challenges of a diverse workforce partly support previous research findings. Namely, DeNisi and Griffin (2001) and Wilson (1996) suggested that challenges are likely to arise as a workforce becomes more diverse. The findings of this study, within a new context, support this notion, in particular in its reference to language, the subsequent misunderstandings in interaction and cultural backgrounds. The implications for HRM are handled next, starting with HRM strategy.

Table 2: Implications of diversification for HRM strategy

| Org. | Implications |
|-------|---|
| a.-c. | Not stated in HRM strategy. Diversity considered essential to competitiveness. |
| d. | Not stated in HRM strategy. |
| e. | Not stated in HRM strategy. Diversity considered important. Global parent organization guides national subsidiaries towards diversification. |
| f. | Not stated in HRM strategy. However, stated in global parent organization's HRM strategy, which guides national subsidiaries towards diversification. |
| g. | Stated in HRM strategy. Diversity is the core of HRM-strategy and its implementation. |
| h. | Not stated in HRM strategy. |
| i. | Not stated in HRM strategy, emphasis in equality. |
| j. | Not stated in HRM strategy. |

As can be seen from Table 2, the implications of diversity vary in their manifestation at the level of HRM strategy. Only one of the case organizations had covered diversity in their HRM strategy and considered diversity as a core value. It seems that as diversity emerges in the workforce, organizations do not see diversity at the level of HRM strategy, even though it is considered very important in literature (Kossek & Lobel 1996; Dass & Parker 1996). The remaining case organizations have not yet included diversity in their HRM strategies. Four of the organizations, however, consider diversity as being either important or essential to competitiveness. One view on the acquisition of the

best workers describes how the new HRM strategy is already being implemented:

"It is pretty much everyday and normal routine. The thing is that we try, to the best of our ability, to hire the best employees, that meet our needs, for our company."

Another respondent alludes to their global headquarters having a central role when HRM strategy is in question:

"Our values within the organization are quite entrenched, and sort of how when the content of a value changes within the value itself. It's very possible that this diversity in the last few years has increased with multiculturalism, an increase in differences, and how we especially see the global values of our HRM, where, for us, diversity is a global value, which means that it is geared towards multiculturalism in addition to age, gender and lifestyle."

It was also noticed that the affiliates of foreign organizations (n=2) receive guidance on diversity from their parent company on where diversity is stated at the HRM strategy level, implying that diversity can be considered a strategic level issue.

As can be seen in Table 3 below, emerging diversity has induced some changes to recruitment practices within the case organizations. Organizations work together with diversity promoting organizations (n=4) and organise diversity training for recruiters (n=2). However, it is still common amongst organizations to not adjust their recruitment criteria for this diverse workforce, since many of the case organizations (n=4) still continue to use general capability-based selection criteria without any distinctive diversity adjustment. It would also seem that unofficial channels, i.e. the grapevine, are significant recruitment channels in the case of diverse workforces. The following examples illustrate this well:

"... a lot of our ethnic employees have come to us through introductions by friends already working for us saying they have this friend who is looking for work."

"...they talk to each other a lot about these internships and in-the-job training. We get a lot of employees this way. They talk amongst themselves how they were at this place and how it was working at such and such a place and I'm pretty sure that these discussions result in how applicants become available."

Compared to earlier research, the organizations within this study seem to approach recruitment by opening new channels that potential employees can

exploit. This represents evidence of the recommended approach to solving multiple obstacles that hinder the recruitment of a diverse workforce (e.g. Cascio 1998; Heneman et al. 1996).

Table 3: Implications of diversification for recruitment

| Org. | Implications |
|-------|--|
| a. | Cooperation with organizations that promote diversity, new recruiting channels are actively sought. Emphasising the importance of the 'grapevine'. |
| b.-c. | Cooperation with organizations that promote diversity. Recruitment is based on capabilities, diversity is not emphasised separately. |
| d. | Cooperation with organizations that promote diversity. |
| e. | Diversity is not emphasised separately, stress on equal opportunities. |
| f. | Recruitment is based on capabilities, diversity is not emphasised separately. |
| g. | Separate recruiting channel for immigrants. Recruitment is based on capabilities, diversity is not emphasised separately. |
| h. | Recruiters receive diversity training. |
| i. | Recruitment is based on capabilities, diversity is not emphasised separately. |

Table 4 shows that as diversity has emerged, organizations have modified their training and development to fit the needs of a diverse workforce (n=5). The other half (n=5) have not yet modified their training and development, but they have recognised the need for adjustments and have plans for language and cultural training (n=5) in the future. One case-organization has approached diversity by letting this be known. A description of changes in employee development within one organization:

"We emphasise induction training and for the past few years we have had this direction towards holding these targeted training sessions in English to allow us to better approach these people. Our sessions are usually mass training and are mainly in Finnish for all participants, so this is us reaching out and it's been well received and now we also hold staff meetings in English, just for them. We have a cycle of fall/spring sessions to ensure continuity and use the opportunity to discuss any problem areas and talk about these issues together. We go through why sanctions have been imposed, and of course if it's noticed that this applies to an individual, we discuss face to face with that individual what complaints have come forward, what the problem is and how we resolve it and ways to improve..."

The findings of recruitment support the suggested importance of increased investment in training and development in the context of a diverse workforce (Ford & Fisher 1996).

Table 4: Implications of diversification for training & development (T&D)

| Org. | Implications |
|------|--|
| a. | T&D are modified for a diverse workforce. Cultural and language differences are considered. |
| b. | T&D are not modified for a diverse workforce; organization has plans for language and cultural training and development. |
| c. | T&D are modified for a diverse workforce, more resources are allocated: time, language, external trainers. |
| d. | T&D are modified for a diverse workforce. Cultural and language differences are considered. Cultural competency is emphasised. |
| e. | T&D are not modified for a diverse workforce; organization has plans for language and cultural training and development. Diversity awareness information is distributed. |
| f. | T&D are modified for a diverse workforce, more resources are allocated: emphasis on enhancing the communication skills of the personnel. |
| g. | T&D are modified for a diverse workforce, more resources are allocated: diversity training program for entire staff. Diversity is supported by distributing diversity awareness information. |
| h. | T&D are not modified for a diverse workforce; organization has plans for special diversity emphasised training in the future. |
| i. | T&D are not modified for a diverse workforce; organization has plans for language and cultural training and development. |
| j. | T&D are not modified for a diverse workforce; organization has plans for language and cultural training and development. |

Furthermore, as can be seen in Table 5, rewarding has not been changed as a result of emerging diversity among the case organizations. It is typically carried out by emphasising equality (n=9), and is partly capability- or competence-based (n=2). Two of the case organizations have identified some differences in the rewarding-motivating relationship between the diverse and non-diverse workforce. One respondent describes how he perceived permitted flexibility as rewarding/motivating from an individual's point of view:

"...we had one case where daily prayers were required so we made adjustments so this could happen..."

Table 5: Implications of diversification for rewarding

| Org. | Implications |
|-------|--|
| a. | Rewarding is carried out by emphasising equality. Observations of some differences in rewarding- motivation relations between different identity groups. |
| b.-g. | Rewarding is carried out by emphasising equality. |
| h. | Rewarding is carried out by emphasising the competencies of individuals. |
| i. | Rewarding is carried out by emphasising equality, partly capability-based. |
| j. | Rewarding is carried out by emphasising equality; in the organization the need to better motivate diverse people as individuals is noted. |

The findings of rewarding show that it is not modified as diversity increases, even though it is considered important in earlier research. Indeed, according to Barber and Daly (1996), it is crucial to understand how different individuals react differently to various financial and non-financial rewards as motivational factors.

The final HRM activity investigated in this study is performance appraisal. As can be seen in Table 6, performance appraisal in most of the case organizations (n=7) is typically performance-based without much or any regard for diversity issues. One case organization has faced multiple problems when using a homogeneity-based performance appraisal, which has launched the planning of a new, diversity-considering appraisal-system. Two case-organizations haven't considered diversity while performing their performance appraisal as a more informal system. The following illustrates how common this point of view is:

"It is self evident through performance and in fact, customer feedback is an important indicator. If a lot of people are phoning in with complaints, then you know there's a problem..."

Table 6: Implications of diversification for performance appraisal

| Org. | Implications |
|-------|--|
| a.-g. | Performance appraisal is performance-based, diversity is not especially recognised |
| h. | Performance appraisal is based on homogeneity, multiple problems have occurred and a new system is planned |
| i.-j. | Performance appraisal is carried out without considering diversity |

Earlier research (see e.g. Cascio 1998; Chen & DiTomaso 1996) suggests that diversity should be considered in performance appraisal by making criteria as

clear as possible and by understanding the impact of implicit models of the evaluators. The findings of this study confirm that performance appraisal is not among those HRM activities that are modified in the emergent stages of workforce diversification.

Conclusions

The management of cultural- and ethnic-based diversity has been an important part of the management process in many countries for a long time. There are, however, traditionally non-diverse countries, such as Finland, which have not, until now, faced the challenges accompanying an emerging diversity within the workforce. The objective of this pilot study was to investigate 1) what the reasons, benefits and challenges of emerging cultural diversity are and 2) what implications it has for HRM.

The study revealed that the causes of cultural diversity were understood to be the search for new recruitment potential and the reduction of staff turnover as the traditional workforce diminishes at every turn. In terms of the benefits that increased diversity can generate, improved customer service, increased recruitment potential, cultural competence, innovativeness, and a better working atmosphere were all sought after by our case organizations. However, earlier research suggests that there are multiple challenges (see e.g. DeNisi & Griffin 2001; Wilson 1996) involved in being able to realise the benefits associated with a diverse workforce (see e.g. Konrad 2003; Cunningham & James 2001; DeNisi & Griffin 2001; Deresky 2000; Wilson 1996). In this respect, the most significant challenges arising from emerging diversity were insufficient language and professional skills, the need for flexibility towards cultural differences, different conceptions of work, and differences in gender roles in working life.

The study also concentrated on HRM and its related activities, which are argued to be key tools in leveraging the associated benefits of a diverse workforce (e.g. Kirton & Greene 2004; DeNisi & Griffin 2001; Kossek & Lobel 1996; Tayeb 1996; Wilson 1996). As the study was carried out, it appeared diversity was generally not reflected at the HRM strategy level of the case organizations. Some modifications were made at the HRM activities level, but the relatively small extent of these adjustments merely serves to reflect the emergent stage of diversification in the Finnish context of this study. Some minor changes could, however, be seen in recruitment as well as training and development. On the other hand, rewarding and performance appraisal were mostly still only aligned to account for a traditional workforce without much or any consideration for issues of diversity. This is arguably a further sign of infancy in the diversification process. In summary, the study's results partly

support the findings of earlier research although some discrepancies regarding the stage of diversification and the level of adjustment of HRM were found. Table 7 summarizes the key findings of the study.

Table 7: Summary of the key findings

| | |
|-------------------------------|---|
| Causes for diversification | Search for new recruitment potential and pursuit of a reduction in turnover |
| Benefits of diversification | Improved quality of customer service, improved recruitment potential, increased cultural competence and innovativeness, improved working atmosphere |
| Challenges of diversification | Insufficient language, communication and professional skills, great need for flexibility towards cultural differences, different conceptions of work and gender roles |
| Changes within HRM | Minor changes accomplished. Explicit changes in recruiting, training (induction) and development |

This study has offered different approaches and an empirical study to diversity management issues from the perspectives of causes, benefits and challenges as well as from the perspective of HRM. When the practical implications are considered, further knowledge on the potential benefits of the increased level of workforce diversity is needed. Such intervention would possibly motivate the organizations further to consider their approach towards workforce diversity and to reshape their HRM practices when necessary. Also, it seems that a proactive and supportive approach towards the perceived challenges is needed. This implies that in order to benefit from diversity and decrease its challenges, organizations develop their measures and train their managers and all employees. Especially, specified training for the minority could improve their work-related skills, while similarly e.g. awareness training for the existing workforce could lessen preconceptions and improve the working atmosphere in general. It is also suggested that organizations start to critically assess recruitment and induction training and development programs to find out the changes required within HRM and to increase their readiness and competencies to encounter the new reality of increased diversity.

When applying the results of this pilot study, the context should be considered. There is a need for further research from this point of view since most of the research is conducted in contexts that have high levels of diversification. Also, research is suggested to explore in-depth and longitudinally the impact of a diverse workforce on different HRM activities.

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Diversity Management Paradigms and HRM: Implications of Cultural Diversity for Strategic and Operational HRM

Aulikki Sippola

ABSTRACT

Increasing cultural diversity is pressurizing Human Resource Management (HRM) to adapt its strategic and operational level activities. Indeed, the literature on managing diversity considers HRM as key in accomplishing changes towards organizational equity and inclusiveness. This paper offers a fresh perspective from which to analyze an organization's HRM responses to managing diversity. Rather than showing how to manage diversity effectively, the aim is to investigate how different diversity management paradigms identified in organizations impact HRM. More specifically, the study approaches this through the exploration of HRM activities in managing cultural diversity in five Finnish organizations. An empirically supported typology is used to demonstrate the extent to which HRM is strategically or operationally applied and the extent to which it is reactively or proactively accommodated in the light of different diversity management paradigms.

Keywords: *cultural diversity, diversity management paradigms, strategic and operational HRM, reactive and proactive diversity management, Finland*

INTRODUCTION

Discussion about the diversity of workforces is increasing as the composition of labor is becoming more heterogeneous. The changes are dictated in part by factors such as demographic developments (e.g. ageing, migration), globalization, internationalization and mergers and acquisitions (Kirton & Greene, 2005; Johnson & Packer, 1987). Historically, disadvantaged groups have formed the fastest-growing labor pool (Gagnon & Cornelius, 2002), consisting of women, ethnic minorities, disabled and elderly people (Noon & Ogbonna, 2001; Kossek & Lobel, 1996), often considered as the 'new' labor. The segmented labor market maintains inequalities and discrimination in employment and pay rather than valuing diversity (Kirton, 2003), thus reinforcing vertical or horizontal job segregation (Moore, 1999). Furthermore, majority in-group

members are favored over out-group members such as racioethnic minorities (Cox, 1993).

Due to increasing labor mobility, a predicted labor shortage along with public policy encouragement, the promotion of diversity is viewed as more important now than ever before. However, unfair judgments and insufficient language, cultural or social skills, either due to deficiency or lack of competence, can often contribute to ethnic minorities' low perceived value, utilization and recognition as a natural or a normal resource (Forsander, 2002; Broomé, Bäcklund, Lundh, & Ohlsson, 1996; Cox, 1993).

The management of people has evolved over time from an administrative function of personnel management towards the strategic management of human resources. The stages of HRM evolution according to Brockbank (1999) have progressed from first being operationally reactive, then operationally proactive moving towards being strategically reactive, and then strategically proactive. These stages refer to the alternatives for HRM's involvement in organizations and also indicate the increase in competitive advantage and strategic value contributed by the HR function. In reality, different organizations are at different stages.

In the HRM literature, diversity is generally conceived as diverse capabilities to be utilized as a resource, whereas in the diversity management literature HRM is seen as a means to manage it. Therefore, the importance of HRM is said to emerge when striving to increase effectiveness, but its ability to promote diversity or equality is questioned (Kirton & Greene, 2005). It is also argued that in spite of the changes in the workforce, the tendency of HRM is to maintain homogeneity and similarity (Lundgren & Mlekov, 2002; Kossek & Lobel, 1996) by treating a culturally diverse workforce as a homogenous one (Tayeb, 1996). It is also discussed whether managing diversity is primarily a HRM issue (Cassell, 2001; Agócs & Burr, 1996) and, on the other hand, whether its significance is demonstrated when implementing changes to effectively manage diversity (Kirton & Greene, 2005; Kandola & Fullerton, 1998; Kossek & Lobel, 1996; Cox, 1993).

Diversity management approaches to dealing with workplace diversity have also been described to have progressed along sequential phases starting from North America. The first phase, from the 1960s, was driven by Equal Opportunities (EO) legislation promoting equal treatment, followed by Affirmative Actions (AA) in 1970s increasing by quotas the numbers of minorities, and then in the 1980s the third phase was driven by the principles of Diversity Management (DM) to enhance business opportunities. The last phase, in the late 1990s, stresses a more ethical and socially responsible approach to managing and suggests learning from diversity in connection to work.

Regulatory, economic, and ethical forces have all contributed reasons as to why diversity is also increasingly being managed in Europe (e.g. European Commission, 2003). Different diversity management approaches can be divided into four paradigms: resistance, discrimination-and-fairness, access-and-legitimacy and learning-and-effectiveness (Dass & Parker, 1999; Thomas & Ely, 1996). However, the implications of these different paradigms for HRM have not been studied in depth. The extant research on diversity management is also said to be sparse, particularly in terms of assessing the distribution of diversity effects (Dietz & Petersen, 2006), which is addressed in this study by examining the contributions of the HR function in promoting diversity issues.

In light of these gaps in the knowledge about HRM in managing diversity, the aim of this study is to investigate how different diversity management paradigms identified in organizations impact HRM. The study combines two established frameworks, namely the diversity management paradigm approach of Dass and Parker (1999) and Thomas and Ely (1996), and the model of HRM activities by Brockbank (1999), and explores the relationship between different diversity management paradigms and their corresponding HRM responses. The paper contributes to the literature by identifying whether the strategic and operational HRM activities pertaining to each paradigm are reactive or proactive. The study adopts a longitudinal design and a multiple case study method consisting of five organizations in Finland. This research strategy, along with non-US data, is considered to be rare and thus recommended in diversity management research (Dietz & Petersen, 2006). In the following sections, the characteristics of the HR function and HRM tasks are first discussed followed by a discussion on diversity and its implications for HRM. Subsequent sections go on to describe the different diversity management paradigms (Dass & Parker, 1999; Thomas & Ely, 1996) and to examine the HRM responses in connection with the model of HRM activities proposed by Brockbank (1999). After presenting the results, the paper then concludes with a discussion on the implications of the present study.

DIVERSITY AND ITS IMPLICATIONS FOR THE HR FUNCTION

The HR Function and HRM Tasks

In the literature there are various theories, models, typologies and roles which define the content and implementation of HRM (see e.g. Schuler, Jackson, & Storey, 2001; Storey, 1995, 2001; Ulrich, 1997; Huselid, 1995; Legge, 1989; Guest, 1987; Beer, Spector, Lawrence, Quinn Mills, & Walton, 1985). Schuler et al. (2001) state, for instance, that the fulfillment of the primary responsibilities of the HR *function*, namely ensuring that people are appropriately attracted,

retained and motivated, determines the main *tasks* of HRM (its *raison d'être*) in managing: employee assignments and opportunities, employee competencies, employee behaviors and motivation. They also guide the application of HRM policies and practices, such as in recruitment, training and development, performance appraisal and rewarding, which, in turn, aim toward the primary goals of HRM: organizational effectiveness and efficiency (Kaufman, 2001). The HR function thus supports the management of employees through its HRM strategies and policies with the help of HRM managers and professionals, whereas on the practical level the various HRM-related activities are mainly enacted by line management such as supervisors and general managers (Thornhill, Lewis, Millmore, & Saunders, 2000; Ulrich, 1997). It is acknowledged, however, that their perceptions and practice of HRM can deviate from those of HRM managers' or other employees', as well as from HRM strategies and policies (see e.g. Baron & Kreps, 1999; Ulrich, 1997).

The organizational approaches of HRM to managing the workforce has evolved from functional personnel management to concentrating on the hiring and payroll function to managing human beings as a resource and capital to be maintained and developed in order to contribute to organizational effectiveness (DeNisi & Griffin, 2001; Schuler et al., 2001; Storey, 2001). Indeed, since it has been noted that HRM can impact on employee and organizational performance, its strategic importance may increase. This is argued to imply that accordingly, strategic HRM (SHRM) strives to integrate HRM policies and practices with business strategy in order to meet business objectives and improve competitiveness. Furthermore, SHRM also emphasizes the congruence between HRM activities and viewing employees as strategic assets for gaining competitive advantage (see e.g. Bratton & Gold, 2003; Schuler et al., 2001; Storey, 2001; Ulrich, 1997; Pfeffer, 1995; Guest, 1987; Hendry & Pettigrew, 1986). For example, the tenet of resource-based HRM is considered to be based on competitive advantage, which can be gained with the help of talented employees (Boxall & Purcell, 2000). However, gaining a competitive edge through a committed and capable workforce is argued only to be possible through a long-term commitment to building capabilities in a way which requires culture and the way of working to be adapted in order to support the effective use of the talents recruited (Storey, 2001, 1995; Pfeffer, 1995). Additionally, it has been stated that HRM and SHRM can have a primary role as key levers or drivers in organizational and individual level changes by facilitating, institutionalizing and internalizing them through its own modifications (e.g. Cornelius, Gooch, & Todd, 2001; Thornhill et al., 2000; Brockbank, 1999; Ulrich, 1997).

The two strategic approaches of the HR function in influencing business strategy and effectiveness have been found to be either reactive by following the strategy one-way and fitting HRM strategies and policies into it, or proactive by becoming involved in strategy formulation and thus implying first a two-way linkage and then through continuous interaction to achieve greater integration between the HR function and the strategic management process (cf. Noe et al., 1997; Butler et al., 1991; Golden & Ramanujam, 1985).

Indeed, Brockbank (1999) studied the evolution and current trends in HRM and how they can contribute to increasing competitive advantage and strategic value. Brockbank divides HRM practices into strategic/long-term and operational/day-to-day activities, which can be either reactive or proactive. These different dimensions of competitive advantage arising from HRM activities can progress in stages from first being operationally reactive and then operationally proactive towards being strategically reactive and then strategically proactive. Brockbank argues that this framework can be used not only for describing HRM's involvement, but can also be used as a measurement tool for assessing the contribution of HRM in adding value. The way in which Brockbank categorizes the different HRM activities is turned to next.

Operationally reactive HRM concentrates on implementing the basic tasks of HRM by administrating and maintaining the 'everyday routine', gaining little competitive advantage. *Operationally proactive HRM* improves the basic HRM tasks in design and delivery (reengineering, ensuring positive morale) in order to enhance productivity, quality and efficiency. *Strategically reactive HRM* supports the achievement of the business strategy and develops cultural and technical capabilities to support it, or assists in managing change with the help of its operational activities. *Strategically proactive HRM* acts by learning about other functional areas (e.g. marketing, production) and offers business alternatives. For example, it can create an innovative culture with the help of staffing, training and development or rewarding decisions or by creating internal capabilities to mirror future external environmental requirements. It can also contribute to mergers and acquisitions.

The reactivity and proactivity of actions has also been discussed by other authors. Reactivity of actions can be identified, for example, by the maintenance and usage of existing policies or procedures, as corrections to a certain state (Wooten & James, 2004; Cropanzano et al., 2004). 'Proactivity' (e.g. in operations or strategy) relates to replacing existing procedures with new ones, if the culture or normative procedures may cause a certain problem (ibid.). Proactive changes can further lead to the creation of a new paradigm: new mental models and processes, by influencing the shared mindset of individuals in order to transform organizational identity and culture with radical or fundamental

changes (Cornelius, 2002; Thornhill et al., 2000; Brockbank, 1999; Ulrich, 1997), suggesting that traditional HRM practices are supplemented and remodeled with new systems, innovative and exciting practices along with new competitive ways of working (Ulrich, 1997). This study applies the approach of Brockbank (1999) in exploring HRM's involvement in managing diversity. The implications of diversity for HRM are turned to next.

Diversity and Its Implications for HRM

In the literature, workforce diversity and HRM are mainly discussed in connection with global and international business, demographic changes, the mobility of workforces or, to increasing competitiveness (Konrad, 2003; DeNisi & Griffin, 2001; Tayeb, 1996). In an organizational context, diversity is traditionally connected to different social identity groups (Thomas & Ely, 1996) and narrowly to demographic factors such as age, gender, race, ethnicity, or more broadly to all characteristics and features including capabilities, personality, education, religion, ethnic culture, language, lifestyle, work role etc. (Kandola & Fullerton, 1998; Gardenswartz & Rowe, 1994; Cox, 1993; Thomas, 1991). In addition, disability, sexual preference and family structure can become important insofar as they impact on attitudes, behavior or ability to work (Kossek & Lobel, 1996).

Narrow conceptions view diversity objectively and unitarily, classifying it as natural and essential categories presenting a functionalist, normative perspective, which is then promoted by regulated organizational structures. In a broader, more pluralistic view of diversity, it is subjectively considered by interpreting it as a social construction through language, symbols and behaviors in interaction with others, while a more radical and critical perspective to diversity stresses the emancipation of the oppressed. (See e.g. Caproni, 2005; Omanovic, 2002; Nemetz & Christensen, 1996.). Diversity, therefore, is argued to be a context dependent, selective, relative, complex, and plural term or concept with different perceptions in different organizations and cultures without any unitary meaning (Caproni, 2005; Omanovic, 2002; Cassell, 2001; Moore, 1999). This study refers to diversity as cultural and ethnic-based workforce diversity forming a natural group of people.

The various interpretations, understandings and meanings of diversity are said to affect the way people are treated and managed, for example whether diversity is encouraged by considering people as replaceable parts or as long-term critical investments to be nurtured and used (Ulrich, 1997), or alternatively to what extent people are supported to maintain their own identity/culture and to interact with others, for instance, through assimilation or integration (Berry, 1992). It is therefore argued that diversity can be considered either as an

opportunity or a cost to be ignored (Cornelius & Bassett-Jones, 2002) or only to be used as an economic resource (Prasad & Mills, 1997).

When considered as an opportunity, diversity has been argued to increase organizational flexibility, adaptability and potential capacity in a changing environment, because an organization's capability is multiplied by varied skills, experiences, cultural dimensions and values (Thornhill et al., 2000), whereas sameness is considered a threat to an organization (Kossek & Lobel, 1996). However, as Caproni (2005) indicates, a diverse workforce can become a competitive advantage only if carefully managed as a long-term investment. When diversity is linked to business strategy, it is considered to have common features with the principles of SHRM (Cassell, 2001) in terms of the full utilization of human resources to offer a competitive edge. Therefore, it is argued that if managing diversity is not linked to the organization's mission, vision and business strategy (Kirton & Greene, 2005; DeNisi & Griffin, 2001; Kossek & Lobel, 1996; Tayeb, 1996; Wilson, 1996) or it does not have clear objectives or a systemic approach to HRM strategy and practices, it can end in failure (Caproni, 2005; Kandola & Fullerton, 1998), particularly when assuming that all subgroups have the same kind of HRM needs (Kossek & Lobel, 1996).

It has also been identified that the diversity of employees itself or its increase via further recruitment, may alone not generate advantages or create a multicultural organization. Rather, it is achieved by the capability to capitalize on the various competencies and manage them (Caproni, 2005; Kossek & Lobel, 1996; Dass & Parker, 1996; Cox, 1993). However, the ability and willingness of traditional HRM to utilize and manage diversity has been criticized (Lundgren & Mlekov, 2002; Kossek & Lobel, 1996). It is argued, for example, that valuing diversity is not possible by treating people the same with standardized and rationalized systems which support efficiency (Sandoff, 2002; Humphries & Grice, 1995). Discriminatory practices have also been noted to cause economic costs from losing talented staff, which challenge HRM policy and practice (Cassell, 2001). Even though the adaptation needs of HRM are expressed, it is also acknowledged that contemporary HRM literature, theory, models and systems focus on supporting more homogeneity (Kirton & Greene, 2005; Lundgren & Mlekov, 2002; Cassell, 2001; Kossek & Lobel, 1996; Tayeb, 1996).

These various views on diversity in relation to the accommodation of the HR function arouse questions of whether managing diversity is primarily a HRM issue since little evidence exists regarding the integration of diversity practices and policies into HRM or its relevance in HRM literature (Benschop, 2001; Cassell, 2001). Tayeb (1996) stresses, however, that the ability of culturally heterogeneous organizations to cope with the challenges of HRM, makes the difference between success and failure. In spite of these controversial

perspectives, it is widely argued that HRM with its strategies, policies and practices can be a potential and/or a key factor in managing diversity through its measures to promote diversity, equality and equity by affecting, for example, attitudes, behaviors, organizational procedures, structure, culture and power relations (see e.g. Kirton & Greene, 2005; Lorbiecki, 2001; DeNisi & Griffin, 2001; Gilbert & Ivancevich, 2000; Kandola & Fullerton, 1998; Miller, 1996; Tayeb, 1996; Kossek & Lobel, 1996; Cox, 1993).

All in all, external societal/economic or regulatory forces together with internal factors can address a necessity for identifying new alternatives to attract, develop, retain and motivate employees (Watson, 2004; Thornhill et al., 2000; Kossek & Lobel, 1996) or to learn to utilize the potential of all (Thomas & Ely, 1996). How different managing diversity paradigms affect HRM is discussed next.

DIVERSITY MANAGEMENT PARADIGMS AND HRM RESPONSES

Various managing diversity alternatives can be classified under the diversity paradigm approach developed by Thomas & Ely (1996). It divides organizations into three types of diversification: *discrimination-and-fairness*, *access-and-legitimacy* and *learning-and-effectiveness* paradigms, to which Dass & Parker (1999) added a fourth paradigm perspective: *the resistance* paradigm. Paradigms concern different views of the causes and objectives of diversity, which characterize their contents. The associated benefits, challenges, opportunities and risks are directly related to the priority or pressure applied to diversity which is directing the strategy applied to its management (Dass & Parker, 1999).

Indeed, paradigms manifest the philosophical thought process and the basic attitude of an organization towards diversity, which explains their respective aspects of diversity management and its integration mechanisms, thus leading to different types of action in its facilitation including HRM. In other words, the fundamental differences between paradigms indicate how different meanings and interpretations of diversity are reflected and influence its management. First, the paradigms along with their impacts on HRM are reviewed in reference to other diversity literature. Then the responses by HRM are analyzed within each paradigm at the strategic and operational level.

In the first 'resistance' paradigm, because organizations seek to maintain the status quo in the absence of any pressures to increase diversity (Dass & Parker, 1999), inequality tends to be reproduced without an EO or diversity policy (Kirton & Greene, 2005). Diversity is, therefore, reactively managed (Dass &

Parker, 1999) resulting in HRM concentrating on stability. The focus in the second 'discrimination-and-fairness' paradigm is on equal opportunities, fair treatment and social justice as a moral case through legislative actions by treating everybody the same (Noon & Obgonna, 2001; Thomas & Ely, 1996). Employees are also seen more as a cost or expense (Dass & Parker, 1996) and organizations are often bureaucratic, with control processes to assess and compensate individual performance (Thomas & Ely, 1996). Due to these reasons, HRM's involvement increases and HRM procedures can vary from public equality statements to unwritten policies (Kirton & Greene, 2005), mostly increasing simply the "numbers" of disadvantaged (Kandola & Fullerton, 1998; Thomas & Ely, 1996). Both of these paradigms are considered to be strategically reactive in managing diversity (Kirton, 2003; Dass & Parker, 1999).

Within the third 'access-and-legitimacy' paradigm, the needs of the organization are emphasized when searching for benefits from diversity as a business case (Noon & Obgonna, 2001). In turn, this is achieved by valuing and celebrating individual differences (Thomas & Ely, 1996) and by trying to create a culture of respect in order to maximize the potential of diversity (Kandola & Fullerton, 1998). The purpose of diversity is deemed to aid profitability (Wilson & Iles, 1999) by increasing efficiency and effectiveness. The strategic use of diverse employees as a source of competitiveness is also seen to add value by reducing costs (turnover, absenteeism, lawsuits), facilitating the new labor market, increasing market knowledge, promoting team creativity and innovation, improving problem solving and enhancing flexibility. A good reputation and an image as a multicultural working place are also considered to be signs of commitment to a company's social responsibility. (Kirton, 2003; Maxwell et al., 2001; DeNisi & Griffin, 2001; Kandola & Fullerton, 1998; Wilson, 1996; Cox & Blake, 1991.)

Challenges are often addressed in terms of cultural differences in working habits and customs, misunderstandings in interaction and misinterpretations, distrust and hostility affecting collaboration and decision making (DeNisi & Griffin, 2001; Wilson, 1996). For this reason managing and learning to value diversity mainly involves short-term training interventions for the majority to increase awareness and interaction in order to change attitudes, behaviors and to gain mutual understanding. However, alone they are considered to be insufficient and unable to change culture, power relations, structures or systems (see e.g. Litvin, 2002; Easley, 2001; Jackson & Joshi, 2001; Moore, 1999). While opportunities for and tolerance of minorities can increase, it is argued that organizations are still assimilating; institutional bias and inconsistencies in HRM are considered prevalent (Cox, 1993), supporting the views of dominant or majority groups (Cornelius et al., 2001). In spite of strategically proactive

aims, in practice, organizations within this paradigm are perceived to have a narrow, reactive HRM approach to equality and diversity, which are then promoted by formal policies and standardized practices (Kirton & Greene, 2005). Therefore, a change towards more proactive HRM is addressed (Kossek & Lobel, 1996), for example, by breaking down barriers (e.g. the 'glass ceiling'), mainstreaming (the integration of diversity) and broadening diversity agendas (Kirton, 2003).

The fourth 'learning-and-effectiveness' paradigm stresses a 'learning' approach, since Thomas & Ely (1996) note that in gaining the benefits of diversity the purpose of a diversified workforce was unclear. Therefore, they suggest connecting diversity to work and employee perspectives, to move from identity-groups towards learning about the needs of changes in the structure, tasks or environment in managing diversity. In this paradigm non-bureaucratic and egalitarian organizational culture is seen as a means to a high standard of performance, stimulating, empowering and encouraging openness and diversity. The approach emphasizes learning opportunities supporting the point of view, therefore, that it is essential what a person does, not what a person is (cf. Caproni, 2005; Omanovic, 2002). That is why employees are considered to gain strategic influence as assets; they are irreplaceable, valuable and viewed as an investment (Ely & Thomas, 2001; Cornelius et al., 2001, Dass & Parker, 1999). For this reason, this paradigm suggests a proactive approach towards multiculturalism, commitment to structural and informal integration of equality and diversity (Gagnon & Cornelius, 2002; Cornelius et al., 2001; Dass & Parker, 1999; Cox, 1993) and the full and equal utilization of capabilities (Gagnon & Cornelius, 2002). This kind of a perspective can contribute to the role of HRM being seen as a provider of opportunities for learning by creating an enabling environment through empowering systems (Cornelius & Bassett-Jones, 2002) and by actively promoting equality and diversity in practice with help of more comprehensive EO and diversity policies (Kirton & Greene, 2005). It has also been recognized that the fostering of a culture of inclusiveness and inclusion of all employees addresses equitable, fair, bias free and proactive HRM, which can contribute to the protection of the merit principle by means of adapted or improved practices (e.g. Kirton, 2003; Gooch & Blackburn, 2002; ACIB, 2001; Wilson, 1996; Heneman, Waldeck, & Cushnie, 1996; Cox, 1993).

In order to assess the nature of the activities of HRM in these different diversity management paradigms, the framework suggested by Brockbank (1999) is argued to be a constructive approach. Through its application it is possible to classify the responses of HRM in each paradigm into strategic- or operational-level activities, where reactivity or proactivity further indicates how the HR function can add value in terms of promoting diversity. Accordingly,

Figure 1 positions the HR function and its HRM activities against the four different diversity management paradigms in terms of HRM's reactive or proactive responses at both the strategic and operational level.

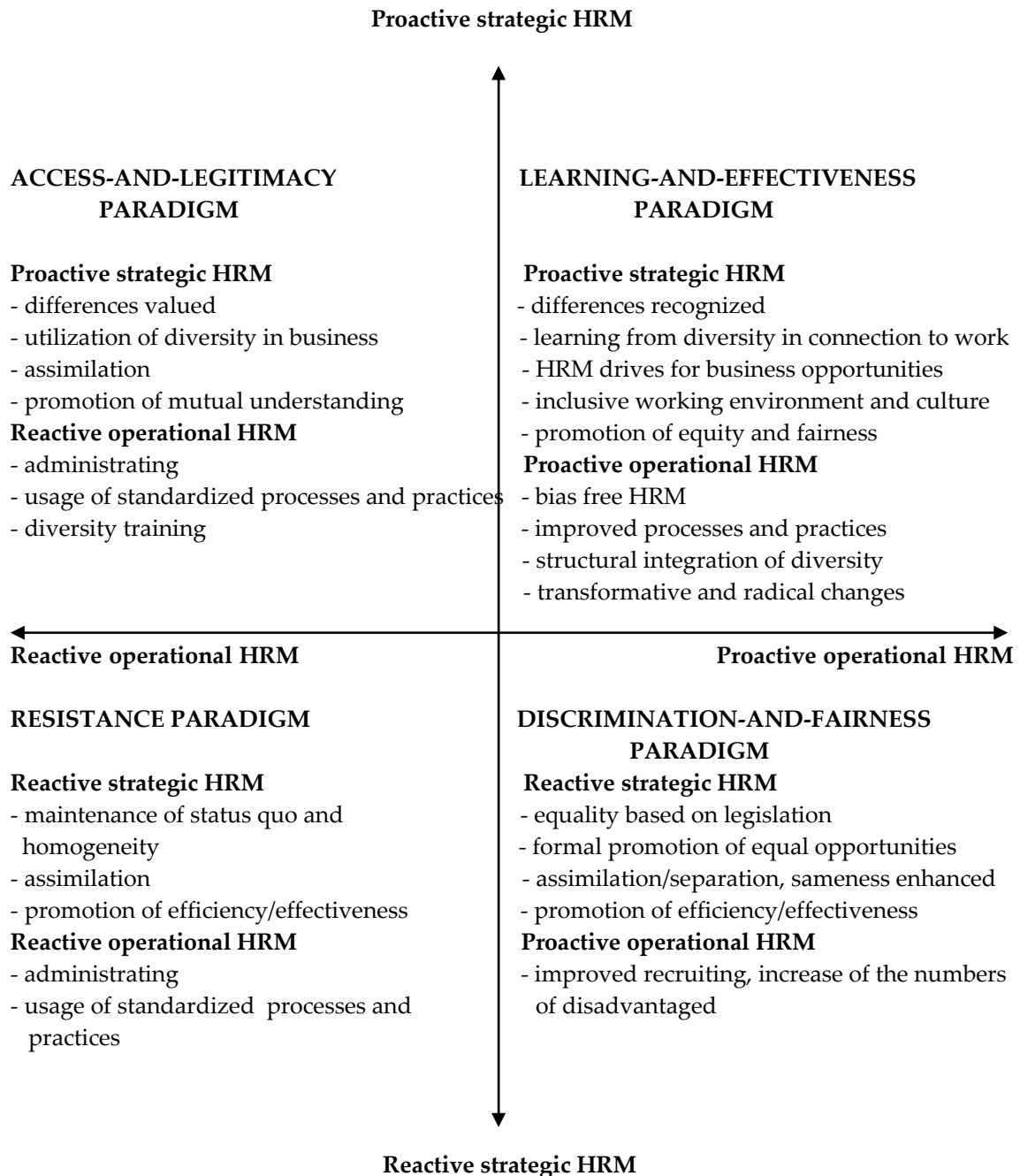


FIGURE 1. *The function of HR in diversity management paradigms.*

In Figure 1 the typology is built around two dimensions in line with Brockbank's model. The vertical axis illustrates the proactivity versus reactivity

of strategic HRM. The horizontal axis illustrates the proactivity versus reactivity of operational HRM. The diversity management paradigms are positioned in the framework according to their strategic reactivity or proactivity: in the lower part the resistance and the discrimination-and-fairness paradigms represent reactive diversity management approaches and in the upper part the access-and-legitimacy and the learning-and-effectiveness paradigms represent proactive diversity management approaches. Attributes of strategic and operational level HRM are presented within each paradigm.

As depicted, the HR function is constructed differently in each paradigm according to the reactivity and proactivity of its HRM activities. In the resistance paradigm, organizations have a reactive diversity management approach, because diversity is a non-issue having not been identified as important for their business strategy. The HR function is, therefore, strategically reactive in influencing the business strategy in terms of diversity and only follows it one-way by ensuring the strategic fit of HRM strategies and policies (Noe et al., 1997; Butler et al., 1991; Golden & Ramanujam, 1985) and maintaining the status quo through assimilation. At the operational level, the HR function, likewise, manages diversity reactively and administrates through the use of existing, standardized procedures (Wooten & James, 2004; Sandoff, 2002; Humphries & Grice, 1995). On these grounds the HR function can be said to be involved and applied in managing diversity for the purposes of gaining organizational effectiveness and efficiency goals (Kaufman, 2001), but adding little value in terms of diversity.

In the discrimination-and-fairness paradigm organizations, equality or EO has been identified in the business strategy often as the fulfillment of legislative liabilities, which implies that the diversity management approach is reactive. The HR function is, therefore, strategically reactive in influencing the business strategy in terms of diversity issues, and aligns the business strategy one-way (e.g. Golden & Ramanujam, 1985). Thus it only supports the formal promotion of equality and sameness as a 'moral' case in the HRM strategy in the form of more or less formal equality policies and statements (Kirton & Greene, 2005). This implies that, at the operational level HRM demonstrates proactivity, but mainly in recruitment by enhancing equal opportunities and increasing the 'numbers' of minorities. Otherwise, assimilation is promoted. On these grounds, the aim of the HR function is to achieve business objectives, however, it is also involved in managing diversity by adapting itself to some extent at the operational level to add value in terms of diversity.

In the access-and-legitimacy paradigm organizations, diversity is identified as being strategically valuable for the business. That is why the HR function is also strategically proactive and aims for a two-way influence on business

strategy and its formulation in terms of valuing diversity (e.g. Golden & Ramanujam, 1985). Accordingly it aligns the proactive diversity management approach to HRM with diversity strategies and policies. In contrast, strategy implementation into operational HRM activities is reactively aligned, because they maintain majority views and manage with existing, standardized procedures even though offering diversity training (Cornelius et al., 2001; Easley, 2001; Moore, 1999). On this basis, the HR function can be said to facilitate the attainment of organizational business objectives by also aiming to promote the mutual understanding of diversity. However, it is involved and accommodated only at the strategic level to add value through means of diversity.

In the learning-and-effectiveness paradigm, an organization's diversity has been recognized as a valuable asset and an investment to increase effectiveness by learning. The strategically proactive HR function therefore offers new business opportunities through diversity, influences the business strategy in order to promote the structural and informal integration of diversity and is also involved in strategy formulation through a two-way linkage, and possibly through continuous interaction (Cornelius et al., 2001; Noe et al., 1997; Cox, 1993). The proactive diversity management approach can further be aligned with HRM strategies and policies addressing diversity and equity and through the creation of an inclusive and empowering culture (Cornelius & Bassett-Jones, 2002; Thomas & Ely, 1996). Its alignment with operational level HRM activities can focus, therefore, on eliminating bias, which can be recognized in renewals and improved HRM practices, processes and structures coherent with each other (Gooch & Blackburn, 2002; Ulrich, 1997; Cox, 1993; Guest, 1987). On these grounds, the HR function supports and facilitates not only the attainment of business objectives, but also equity and fairness issues by influencing the shared mindset of individuals and by driving for culture change (Cornelius, 2002; Ulrich, 1997). This collectively implies that the HR function is involved in managing diversity and adapting itself proactively both at its strategic and operational levels in order to add value by means of diversity.

In sum, the reactive or proactive involvement of the HR function in diversity management can be said to be affected by the rationale of the paradigm, and the way how it can influence business strategy formulation and implementation to add value by means of diversity. The framework described above now forms the basis of analysis in the next empirical part of the study.

METHODOLOGY

Research Strategy

The study adopts a qualitative research strategy for various reasons. The quantitative research approach was not deemed appropriate because the issue under investigation was new and sparsely studied in the Finnish national context due to its emerging status. A qualitative approach was, therefore, found to be more suitable in seeking to gain a picture of the phenomenon in its natural setting (Denzin & Lincoln, 1994), whilst also offering access to it as a longitudinal process (Miles & Huberman, 1994). A qualitative case study approach is useful in gaining an intrinsic understanding and insight in order to advance the phenomenon from a collective perspective (Stake, 1994). A holistic multiple-case study design is selected as it allows explaining and analyzing the phenomenon through its similarities or contrast (Yin, 1994) thus enhancing its generalizability (Miles & Huberman, 1994).

The study draws on findings from a study of five organizations in the capital area of Finland in conjunction with a three-year long project (ETMO) belonging to the EU Community Initiative Programme (EQUAL), which provided access to organizations (totaling 16) aiming to promote tolerance and multiculturalism in their working communities and to increase the employability of immigrants. The cases were selected to present both private and public organizations in different industries varying in time as recruiters of a foreign workforce and in their stage of diversification. A common feature of these organizations was that they had all employed a fairly high number of immigrants in relation to Finnish organizations in general, even though their absolute number in each organization forms a small percentage of total headcount. Details relating to the five organizations are as follows: *Case A* is a private service organization and has employed immigrants (5% of the total 14,000) for the past 10 years. During the research period the organization changed ownership. *Case B* is a public service organization and one of the oldest recruiters of immigrants (max. 10% of the total 1,600) in Finland with over 20 years experience. *Case C* is a private organization in the metal industry, which started the employment of immigrants (up to 5% of the total 1,500) two years before the study. Large-scale layoffs due to ownership change were carried out during the research period. *Case D* is in the private service industry and started the recruitment of immigrants (10% of the total 300) just before the study period. *Case E* is a public organization that has been increasingly employing immigrants over the past 9 years (2% of the total 13,000). Its maintenance unit took part in the study having employed unemployed immigrants for over 20 years.

The data were collected through semi-structured interviews around specified themes (Hirsjärvi & Hurme, 2004) as a means to obtain knowledge and personal experiences with different meanings (Denzin & Lincoln, 1994). The key themes of the interviews were as follows: 1) Reasons, benefits and challenges of employing a foreign workforce and, 2) Impacts of cultural diversity on HRM. The interviews were conducted once during the Spring of 2002 or 2003, and once again in Spring 2005 in each organization. The interviews lasted approximately one hour. The interviewed persons represented three groups: HRM/HRD Directors, Managers or Specialists, Supervisors of immigrants and Shop-Stewards totaling 35 interviews with 26 persons. The reasons for choosing these groups as informants were that they presented the official HR function, practical day-to-day level HRM as well as labor unions, all presumably possessing different perceptions of diversity and its management despite the existence of official HRM strategies and policies. In particular, the representatives of unions as trustees of employees were seen as an important channel to hear immigrants' collective voice because they are typically the first persons to whom employees turn concerning issues of confidentiality or inequality. The absence of immigrant interviewees on the basis of their potentially low level of knowledge about HRM as processes represents a limiting factor for the validity of the study. In this respect and for validity reasons the data were collected twice from multiple (three or four) informants in each organization among persons at different levels and groups (triangulation). The interview outline was also clarified and agreed by telephone or e-mail by each person and sent by request in advance for verification. To increase reliability the interviews were taped, transcribed and texts sent back for a review. Extracts from the interviews will also be used to offer representative empirical evidence validating the reliability of the study (Silverman, 2001).

Out of the different approaches to analyzing case study evidence, Cross-Case Analysis with explanatory topics (Yin, 1994) has been selected which combines a case-oriented and variable-oriented approach allowing for the stacking and cross-analysis of comparable cases (Miles & Huberman, 1994). First, the cases were identified as to their likely paradigm and classified into two types: reactive and proactive paradigm organizations. Simultaneously, their HR function's approach was divided into two: strategic and operational HRM. Next, the data was carefully analyzed by ascertaining the positioning of the cases and by assessing their strategic and operational level HRM activities. In this way, the outcome reveals the HR function's involvement and how it acts across reactive and proactive diversity paradigm organizations, which in turn can be displayed as data along two dimensions (strategic and operational

HRM), representing the application of HRM and the nature of its adaptations. Next the institutional, demographic and cultural framework for Finnish diversity context is briefly covered, and then the results from the five case studies are presented.

Diversity in the Finnish Context

In Finland, the driving forces for dealing with equality and diversity issues until now have been the legislation: Constitution of Finland (731/1999, renewed), Criminal law (39/1889, Employment Contracts Act (55/2001), Act on Equality between Women and Men (609/1986, 2005) and the Equality Act (21/2004). However, despite comprehensive equality regulations and the status of a modern democracy and society, the prevalence of discrimination especially based on age, disability and ethnicity form the focus of much discussion today, especially in the light of labor force deficits predicted in the future. Indeed, according to prognoses, almost 900,000 employees, every third person in a total population of approximately five million, will exit the Finnish labor market within the next fifteen years (Tiainen, 2003). Regardless of future demographic changes, the participation of immigrants in the labor market and the parallel development of their equal rights are still in their infancy. For instance, whilst immigrant unemployment stands at around 28 percent they represent only two percent of the total population (Ministry of Labour, 2006).

The complexity involved in issues of equality and diversity can partly be explained by the Finnish organizational culture, which has been found to support the monolithic tradition of Finnish national culture (cf. e.g. Juuti, 2005; Aaltio-Marjosola, 2001). More specifically, its defining characteristics have been identified, amongst other things, as being a strong national identity, homogeneity, social cohesion and self-consciousness (e.g. Forsander & Raunio, 2006; Torvi & Kiljunen, 2005; Anttonen, 1998). This, together with immigrant demographics, has contributed to subjects such as gender and ethnicity in HRM or diversity management as representing somewhat of a non-issue in Finnish working life (cf. e.g. Forsander & Raunio, 2006; Aaltio-Marjosola, 2001).

DIVERSITY PARADIGMS AND HRM

Diversity Paradigms of the Case Organizations

The organizations in the present study perceived cultural diversity in both similar and different ways. The main reason for employing immigrants was due to labor shortages and the search for skilled potential (Konrad, 2003). The new workforce was mostly found to be motivated, committed, efficient and capable

of bringing richness, social interaction, new values and views by the respondents despite their status. The working atmosphere and culture towards tolerance and openness was said to have improved during the research period because the attitudes and behaviors of co-workers, supervisors and customers had changed, also affecting positively the employer image. The challenging experiences mainly related to insufficient language and communication skills causing misunderstandings (e.g. employment terms), but also to distrust, preconceptions, prejudices, racism or fear to be called a racist, as well as to some male immigrant groups' attitudes towards native female managers. (DeNisi & Griffin, 2001; Kandola & Fullerton, 1998; Cox & Blake, 1991.) Next, the organizations are presented in accordance with their approach to managing cultural diversity advancing from reactive towards proactive.

In spite of similar causes and views of diversity, the perception varied in organizations depending on its meaning or importance (Dass & Parker, 1999; Ulrich, 1997). Case C employed immigrants due to the lack of indigenous employees in order to gain economic resources (Prasad & Mills, 1997) as a 'must' in the words of an HRM manager. The shop-steward expressed their acceptance as an equal resource more critically, since "*it has been noticed that others can also work*", contributing to increased trust in their capabilities. Cultural diversity as such or as a group was not given any special attention according to an HRM manager as it was considered more of a cost and a non-issue to be adapted. On the grounds of these perceptions of diversity Case C can be positioned into *the resistance paradigm*. According to an HRD director, Case B treated cultural diversity solely as an equivalent resource, and employing immigrants was perceived as self-evidence "*because the main thing is to find good employees without making a difference between where they come from - everybody is seen to be equal from the outset*" (HRM Consultant). Different views were also found in case B, for example, where a supervisor considered diversity moreover as obtaining a kind of spiritual aspect into work, especially when immigrants had questioned the prevailing logic: "*new views in general bring new ways of thinking and doing. It is not a value as such. But it might be, if we can make use of it.*" Consequently, Case B can be said to represent the principles of *the discrimination-and-fairness paradigm*, because it merely aimed to provide equal opportunities for immigrants by increasing their 'numbers'.

Cases A, D and E, on the contrary, considered cultural diversity as a means to gain competitiveness: to increase and maintain customer satisfaction, service quality or to gain cost savings by reducing overall turnover (Kandola & Fullerton, 1998; Cox & Blake, 1991). In addition, Cases A and D were also willing to employ immigrants and to actively build a reputation and image as a good, pluralistic and socially responsible employer (Kirton, 2003). This was

expressed in Case A in the following way; *"We have a noticeable role in how we guide these employees into this society. And in that sense, in fact, we carry quite a large social responsibility"* (HRM Director). In Case D it was stated that: *"Those people do not need any special treatment or anything extra, but they require acceptance and that they are given a chance"* (Supervisor). Case E can be said to represent the principles of the *access-and-legitimacy paradigm* whereas Cases A and D were moving from this paradigm over the study period towards the *learning-and-effectiveness paradigm* because they perceived cultural diversity as an important equitable asset with new business and learning opportunities. On the basis of these different perceptions of cultural diversity, cases can be divided into reactive (B, C) and proactive (A, D, E) diversity management paradigm organizations. How the five organizations involved the strategic and operational level HRM in managing diversity is explored next.

Strategic HRM Responses to Managing Diversity

Cultural diversity at the strategic level of HRM was managed differently within and between reactive and proactive paradigm organizations. The most reactive approach was found in Case C, which had no diversity strategy, policy or common rules and no changes were seen necessary to existing modes of action. The explanation was that the organization was already adapted to work with cultural diversity due to its international clients and business environment and, therefore, employees need to adapt to that culture. It was stated that tolerance increases slowly and *"culture changes by itself along with everyday work; when we are working together, and it is only noticed then whether it works or not"* (HRM Specialist). However, a shop-steward considered that the lack of a diversity policy is problematic since then each supervisor has his or her own rules and ways of working that are not based on company-level decisions. The supervisor expressed it as follows: *"There is a need to search for such common rules of the game, a policy to be applied to the whole working community, how to carry it all out."*

Case B managed diversity according to HRM personnel in line with its long history with immigrants without any "model", stated strategy or policy with unwritten "rules", which included surmounting preconceptions, finding the right attitudes and the creation of a good work environment through culture change. That is why no changes were said to be needed anymore, as the implicit equality of people and equal treatment had already been reached without any special attention to any groups by means of careful management. This was said further by HRM personnel to include not allowing anybody to be segregated and discriminated against, and of taking into consideration individual differences (language skills, cultural background) when performing tasks. However, different qualities of employees were not utilized at work, which the

Shop-Steward pointed out: *“the immigrants’ own intentions should be more and more taken into consideration and supported. Also the ways of working and other things (...). However, it happens in such a way that whatever the dominant practice is, that is the one that dictates in the background and controls everything. It takes a long time to change these practices. It does not happen instantly.”* During the research period Case B was awarded a certificate by the Ministry of Labor for its progressive work with immigrants, and is also in the process of including diversity issues into ethical codes and, for the first time communicating them in the annual report.

These reactive diversity management paradigm organizations were managing diversity without explicit strategies or paying any special attention to it (Kirton & Greene, 2005), letting the daily work lead it. Therefore, strategic HRM was reactively following the business strategy and aiming, via assimilation, either to maintain the status quo (Case C) or to enhance formal equality as sameness (Case B).

The motives of proactive diversity management paradigm organizations (A, D and E) in managing diversity were instead based on gaining benefits and/or business opportunities (A, D) or on serving better clientele (E) by utilizing diversity. Cases A and E were in addition stressing legislative causes. The promotion of managing diversity issues in the strategy level over the study period was argued in Case A at the beginning: *“Multiculturalism gives a positive image of the company. But as a competitive advantage, it is perhaps not yet approached in that way. (...) In spite of (all the HRM processes) there is a big gap between these and those processes that cannot be written down, and it is here, the feelings within a person, where you find the work satisfaction of the staff. And it is that, after all, which creates effectiveness”* (HRD Director). By the end of the study, Case A was in the process of implementing diversity as the key to the equality and HRM strategy by involving its personnel from various stakeholder groups into development work in conjunction with the EU-project. HRM Director also considered the function and role of HRM and HRM personnel to be a driver and organizer behind diversity issues.

Cases D and E had just launched their diversity management strategy and plans before the study period. At the beginning of the study, it was recognized by the HRM manager in Case D that their global diversity policy offered a license to advance. However, in order to gain the benefits from diversity and to improve the operations, the supervisor stressed that the local activities and the present way of action had to be changed and everybody needed to commit themselves to that change. Therefore, it required that *“the rules of the game and working methods are in order down to the last detail and that, accordingly, the management is fair and logical”* (Supervisor). In creating new circumstances, clear

changes happened during the study period, partly by means of the supervisor's conscious efforts and by involving the immigrant-based employees in development work in conjunction with the EU-project. Case E was according to HRM Director implementing their diversity strategy within a broad framework without any detailed instructions as to its internalization. The principle was to create rules within each unit. Only annual cultural diversity targets (total % of the whole workforce) were set and assessed. The chosen approach was argued as follows: *"Common rules contradict the valuing and acceptance of diversity. We rather hope that people would internalize and learn, that it comes from inside, that we understand diversity. But also, that the supervisor assumes responsibility in making the whole thing work"* (HRM Specialist). Not much progress had been made in integrating the diversity strategy during the study period, which was explained as being due to economic pressures, new operative management and the fact that *"new things cannot be adopted all at once, which is very understandable. And these new things indeed need to be given a little time to sink in before they can start gathering speed"*; *"We are progressing slowly, not in huge leaps"* (HRM Director). The strategy has been sustainable in this format, but in its implementation HRM representatives considered that more rapid development, more enthusiastic people and lobbying were demanded, more specifically a network of diversity agents, as well as more effective work, commitment of the new management, persistence, new ideas and flexible models to survive in the future. The intention is to integrate diversity in the long term into HRM processes.

By the end of the study, it had been noticed by many interviewees in Cases A and D that the inclusion of immigrants is essential in order to create a good working environment for all and that the work with managing diversity had contributed to increased pluralism and a culture of inclusion, including intensified efforts to reach a common understanding, to adapt both parties and their cultures and learning what diversity means. These notions were argued in the following way: *"(...) the value of a person does not depend on nationality or color or age or religion. An individual has value as a human being. Each of us can succeed given a chance and the appropriate conditions"* (HRM Director, Case A).

The proactive diversity management paradigm organizations managed diversity with help of diversity and/or equality strategies to promote equity and fairness (Kirton & Greene, 2005) having also noticed that the benefits of diversity calls for its internalization and a common understanding of its meaning (Easley, 2001). The findings provide evidence of the *proactive* involvement and application of strategic HRM in contributing to the utilization of diversity and in increasing business opportunities to add value by driving for changes. However, differences were found in the efforts and adjustments to

gain these advantages. In particular, HRM representatives in Case E saw everybody's own initiative and commitment as essential in addition to managers' responsibility to work with diversity issues in order to adapt it or vice versa. HRM representatives and supervisors in Cases A and D considered diversity as an investment focusing on learning and working with it in the long-term by empowering its own personnel, creating supportive working environment and inclusive culture through the structural integration of diversity (Cornelius & Bassett-Jones, 2002; Cornelius et al., 2001; Thomas & Ely, 1996). How operational HRM was impacted and involved in managing diversity is turned to next.

Operational HRM Responses to Managing Diversity

In each case organization it was stressed that diversity issues should be arranged in line with daily work within a given framework rather than to manage it in a certain way. That is why supervisors were learning by doing and developing their own practical solutions (clothing, make-up/appearance in customer service, compliance of safety regulations, meetings etc.). The following findings of the operational HRM are presented separately by practice, as it allows deeper insights and simultaneous comparisons to be made within and between reactive and proactive paradigm organizations.

Recruitment was mainly based on capabilities. In the reactive diversity management paradigm organizations it was accomplished without any changes. However, Case B preferred immigrant applicants and consciously recruited them. The proactive organizations established some new methods and practices, for example Case A at the beginning of study used various ways to attract immigrants with the help of projects, trades fairs, the media, through the grapevine and via the internet, as well as conducting interviews with the aid of other languages or translated forms until the organization became well known. Case D similarly increased its publicity and Case E launched a separate recruiting channel for immigrants offering apprenticeship training, which was applied for economic reasons in only a few cases. In each organization, targeted recruitment campaigns in cooperation with employment authorities to attract or arrange vocational training and traineeships are still being used or had been used previously. In addition, the 'grapevine' was considered an effective and preferred channel, recognized as the "*best channel to secure the applicants' suitability*" (Supervisor, Case D). Generally, it had been noticed that more time needed to be used in selection discussions in order to make sure that work details and conditions are understood (e.g. security aspects, attitudes towards customer service) and for background information of applicants to be clarified. Increased strictness and high proficiency in Finnish language skills gained more

weight during the study period where, for example, the language for selection and induction in Case A was changed to Finnish.

Within *training and development* three areas were found: induction, diversity and vocational training, to which organizations had paid some attention due to increasing cultural diversity. In the reactive paradigm organizations, induction was considered by the HRM representatives as a means to adapt employees, while for instance, a supervisor expressed that it could also be seen from a different perspective and be used in advance: *“Perhaps it would also be good to give training to the locals in that working community”* (Supervisor, Case C). In proactive paradigm organizations, on the contrary, the HRM representatives stressed the importance of very thorough job orientation and instruction about working customs, rules and culture therefore, that they were seen simultaneously to contribute to achieving mutual understanding of cultural diversity in working units and to increase the acceptance of supervisors. Its significance was explained, for instance, as offering an equal starting point for everybody, but haste and negligence were seen as destructive: *“It can have consequences on the commitment to work, commitment to the working community and results in mistakes, and accidents, and these are costly”* (HRM Director, Case A). In all cases the process of job orientation occurred unchanged and was similarly applied with all of the employees and conducted on an individual or group basis (separate or together with locals) with the help of full- and part-time work guides or working couples (senior local or immigrant employee). Translated material (except in Case D) had also been produced to some extent in each organization (handbooks, guides, instructions, regulations, employment conditions, graphic aids, simplified Finnish, videos etc.), and other languages could be used if needed (Cases B, C, E). As a whole, it had been recognized especially by the supervisors that more time, communication, support, demonstration, feedback, coaching and ensuring understanding as well as arranging personal needs (e.g. prayer times) were necessary for immigrants during the induction in order to prevent discrimination, prejudices or rumors. On the other hand, it was also seen as crucial *“to free the immigrant employee from direct supervision, for them to trust in their skills, to be equal with the work input of a Finn even though she/he can see things differently”* (HRM Planner, Case E).

Although knowledge of different cultures, awareness training and interaction skills were regarded as important in reactive paradigm organizations, especially for managers, they did not offer any diversity-related training due to various reasons such as: relevant information had earlier been given to managers who still worked for the organization (i.e. turnover is low), general education provides it, young managers know about it already, development is a cost, training will be offered if it enhances productivity and

not otherwise. Instead, proactive paradigm organizations offered either systematic diversity training courses (Case A), separate seminars (Case E) or information (Case D) during the study period to their supervisors or the entire personnel. Training was considered a very important means of offering information and getting the 'buy-in' of the whole personnel to diversity issues in order to adapt to each other and implement the required changes. Reasons for this were explained in Case A in the following way: *"We start from the point that our personnel are trained to appreciate the diverse work community and to accept diversity. It does not only relate to immigrants, but it also relates to others who are disabled and so on"* (HRD Planner). She added that work with diversity is *"like a spider's web, in that everything is linked to each other, and it forms a beautiful web"*. In Case E, training was seen as an investment in the future: *"It is worthwhile to do it beforehand, 'the soil needs to be tilled', because I have noticed that it has an impact"* (HRM Specialist). Diversity issues were covered to some extent in these proactive paradigm organizations both in management and recruitment personnel's training.

The ordinary vocational training with exams was offered as an equal basis to everyone in each organization (except in Case E) following the standardized procedures and methods (team work, web courses, seminars, projects), with the teaching language and material being in Finnish. In Case E it had, however, been recognized that immigrants experienced difficulties in following them due to their limited backgrounds in literacy and the use of PC's, resulting in training opportunities being perceived as not equal. In each case it was stated that in order to advance, immigrants were supposed to demonstrate their own initiative, in the proactive paradigm organizations the motivation was also seen to belong to the supervisor (as a responsible employer). The few experiences of supervisors with a foreign background were positive (Cases A, B, D), more were desired, but either their own motivation was low or the supervisors were not seen to 'push' enough according to the HRM representatives.

In all cases *performance appraisal* was performance-based, and diversity was not especially recognized. As a standard, the same work performance and quality was required from all employees, who were also appraised against the same criteria. In proactive paradigm organizations, however, the appraisal was seen from another point of view, admitting that *"assessment cannot be done with the same measures, if people are from other cultures and speak different languages"* (HRM Director, Case A). This implied the acceptance of individual differences in performance outcomes, but it was also agreed that the appraiser's prejudices can impact the appraisal. In Case D, supervisors were seen to need more encouragement to appraise good immigrant performers. In general, immigrants were sometimes seen to be working too hard and 'over performing' in order to

prove their capabilities; customers and the working community were also sometimes critical in expecting this same over-performance, which was cited by HRM director in Case A as a challenge to supervisors to be strong and to defend their employees.

Rewarding was carried out in each case by emphasizing equality and partly by basing policies on collective labor agreements. Therefore, no modifications were said to be possible in financial rewarding. Instead, increasing attention was paid to non-financial rewarding during the study period, because it had been recognized both in reactive and proactive paradigm organizations that different management cultures and habits may create confusion, offense and embarrassment. A supervisor in Case B considered that giving individual attention as a means to motivate is important, but emphasized caution and particularly to soften any negative feedback. He described that: “(...) *particularly with persons from those cultures (non-European), where strong authority is prevalent, negative feedback is taken as a bigger issue than you intend it to mean. But also, on the other hand, positive feedback is really nice to give them, because they really, truly seem to be pleased*”. Non-financial rewarding was seen in all cases as the managers’ responsibility but to some extent also the co-workers’ including thanking, listening, discussing, supporting, respecting the work outcome, giving equal treatment and rights to all. That is why, especially in proactive diversity management organizations, adaptations and knowledge about differences in verbal feedback, communication and habits (shaking hands, pat on the back, publicly praising, openness etc.) were seen as important and also recognized to be learning opportunities: “*They impact on our learning and from that we can learn to accept*” (Supervisor, Case D). Development discussions with immigrant employees were found by HRM representatives in all cases to be important in motivating and creating trust, but their aim according to some supervisors and shop-stewards needed to be clarified so that people felt comfortable to talk. Furthermore it had been noted, that immigrants were the last ones to be invited for such discussions.

The findings revealed that the reactive diversity management paradigm organizations used standardized processes, procedures and existing practices in operational HRM activities with some minor adjustments as corrections in terms of communication (usage of different languages and translations) offering evidence of their *reactive* application to administer. On the other hand improved recruitment to increase the numbers of immigrants (Case B) evidenced *proactive* involvement of operational HRM.

Proactive diversity management paradigm organizations were either consciously working with practical diversity and HRM issues (Cases A and D) during the study period recognizing the need for further developments or

postponing the work to the future (Case E) (Kirton & Greene, 2005). Case E continued with unchanged, standardized processes and existing practices providing only separate short-term diversity training, which offer evidence of the *reactive* application of the operational HRM to administer by increasing only awareness and/or interaction training considered unable to support the valuation of diversity and its adding value (Moore, 1999). Cases A and D were in the process of modifying and improving their HRM processes and practices, which could already be found in recruiting (new channels), training (careful induction, systemic diversity training), and in emphasizing fair appraisal and non-financial rewarding, offering evidence of the *proactive* operational HRM and its involvement or aims of adding value through diversity (Gooch & Blackburn, 2002; Heneman et al., 1996).

DISCUSSION AND CONCLUSIONS

The study has given evidence that due to the future labor shortage and the search for new potential, organizations have for legislative, economic and ethnic reasons begun to manage diversity (cf. European Commission, 2003). Despite the same reasons for diversification (lack of skilled labor) and similar experiences in the studied organizations, different internal and external forces, attitudes, history and objectives have influenced perceptions of cultural diversity in organizations and among their stakeholder groups (HRM representatives, supervisors, shop-stewards). The perceptions changed from seeing diversity as solely a resource (Cases B, C) to utilizing it in order to gain business benefits (Cases A, D and E) (Dass & Parker, 1999; Cox & Blake, 1991). None of the studied organizations promoted diversity issues purely due to legislative forces even though the new anti-discrimination legislation was launched during the study period (2004). Indeed, the study supports that diversity can assume different meanings and understandings in different organizations, which in turn influences their approach to diversity and its management paradigm (Omanovic, 2002; Thomas & Ely, 1996; Dass & Parker, 1999).

Even though the classification of organizations into certain diversity management paradigms with specific HRM approaches can perhaps be considered 'forced', it was performed using logic and in a way that reflected as closely as possible the perceptions of those employee groups that possessed the most knowledge of diversity issues either from the perspectives of official strategy and policy or through daily encounters. However, it is acknowledged that a potential challenge in classifying cases can occur if the 'official statement'

of HRM personnel differs from the views of supervisors and shop-stewards. For instance, the latter individuals were not so familiar with the diversity policy an organization had or its implementation. Furthermore, there had only been very few common endeavors within organizations to develop diversity issues except in case A, before the EU project. A lack of policy, or conversely its recent introduction, can also affect the views offered by HRM representatives on cultural diversity, which may involve giving socially acceptable responses through the use of diversity rhetoric.

However, despite these limitations, it was possible to classify the cases by combining the views of the interviewees. The *resistance paradigm* was recognized in Case C as its reason to manage diversity was mainly based on a 'must' logic, whereas Case B perceived cultural diversity as an equal resource representing therefore the principles of the *discrimination-and-fairness paradigm*. Case E aimed to utilize diversity also for better service belonging thus to the *access-and-legitimacy paradigm*. Cases A and D conceptualized diversity as an important equitable asset with opportunities for business and learning, and represented the views of the *learning-and-effectiveness paradigm*.

When the organizations were identified and divided into reactive (Cases B and C) and proactive (Cases A, D and E) diversity management paradigm organizations, it became apparent how they applied and adjusted their strategic- and operational-level HRM, in other words, how different paradigms impacted HRM. In reactive paradigm organizations, strategic HRM was found to be reactive and thus one-way facilitating the attainment of organizational objectives (Kaufman, 2001; Brockbank, 1999; Golden & Ramanujam, 1985). In proactive paradigm organizations, strategic HRM was proactively two-way, offering new business opportunities (Case E) and also involved driving them (cases A, D) to add value through diversity (Brockbank, 1999; Ulrich, 1997; Golden & Ramanujam, 1985) and to increase inclusion and equity (Kirton, 2003; Moore, 1999).

Operational HRM in reactive paradigm organizations was found to be reactively responding to the reactive strategic HRM via assimilation with standardized processes and existing practices (Case C) or it showed proactivity through improved recruiting (Case B) (Wooten & James, 2004; Brockbank, 1999). In proactive paradigm organizations the operational HRM in Case E could be recognized as being reactive, by administrating with standardized processes and practices, or proactively supporting proactive strategic HRM with modified or improved practices (Cases A and D) (*ibid.*). In the future, proactive paradigm organizations also intended to integrate diversity into all HRM practices (*cf.* Cornelius et al., 2001). It seems unlikely however, that the

changes due to cultural diversity will happen through transformative or radical changes (Cornelius, 2002; Ulrich, 1997).

Even though a 'perfect match' between a certain paradigm and its corresponding HRM activities can be debatable, and especially not yet found in the effectiveness-and-learning paradigm organizations, the study could identify, within their HRM, such main characteristics for positioning them. Additionally, the findings at the operational level of HRM revealed that all organizations in different paradigms mainly responded as depicted within the framework. The outcome was to some extent surprising, because despite the proactive diversity and HRM strategies as well as the absence of a diversity policy, HRM personnel often argued that their aim was to use similar procedures for all, expressing it by the notion "*when in Rome, do as the Romans*", which implies that the needs of all employees are considered to be alike (Kossek & Lobel, 1996). However, this view was rejected, particularly by the supervisors and shop-stewards of reactive diversity management paradigm organizations and also by operational HRM of proactive diversity management paradigm organizations (Cases A and D). These findings imply that the practice of HRM and its strategy in terms of managing diversity in reactive diversity management organizations deviated between the perceptions of HRM personnel and others, whereas in proactive diversity management organizations they were more consistent. The results of the study are summarized in Figure 2.

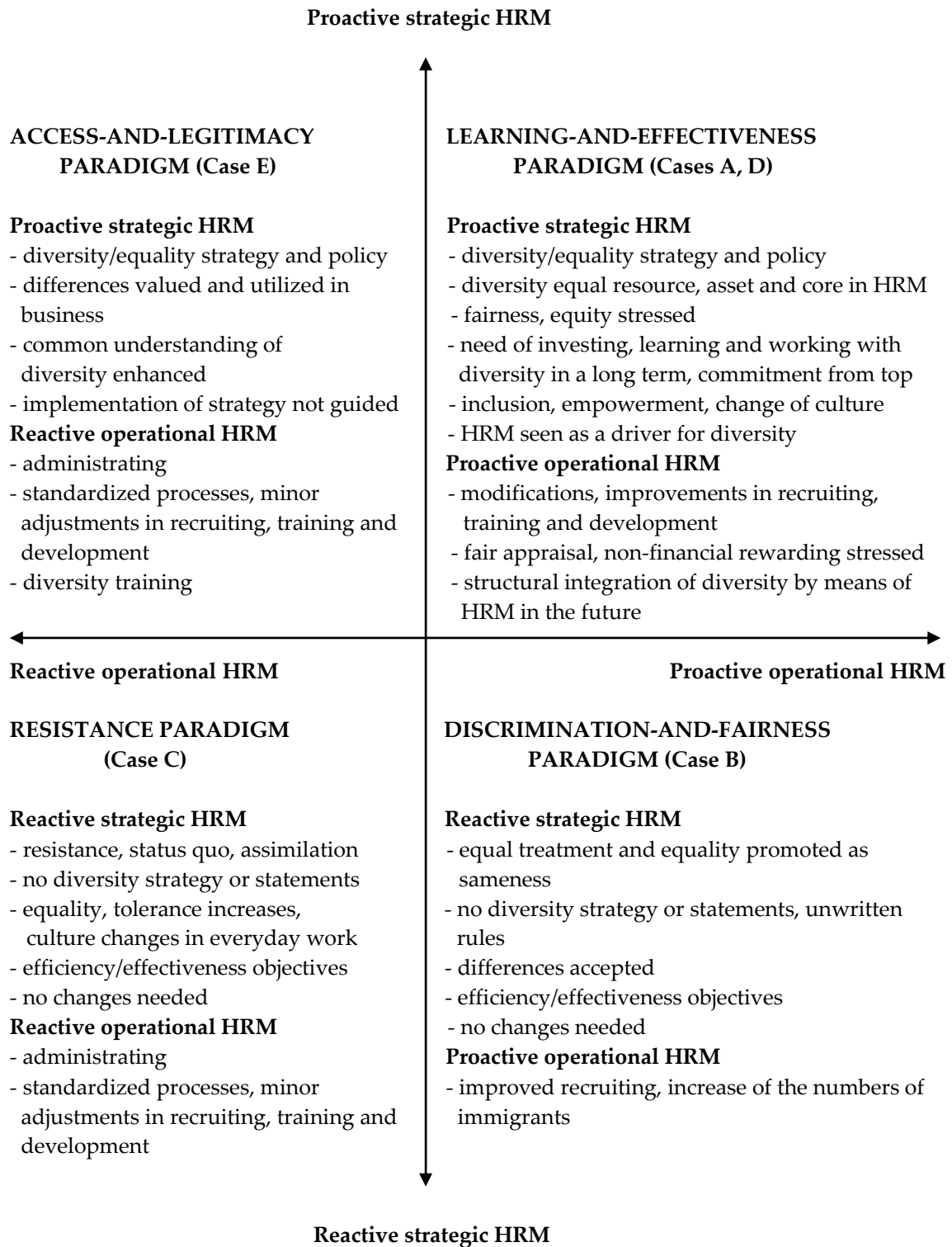


FIGURE 2. *The function of HR in diversity management paradigms, summary of the research results.*

When taken together, the study supports the existence and relevance of all diversity management paradigms, significant being the tendency towards the most advanced paradigm in two organizations. The outcome also confirms the earlier propositions that paradigms impact HRM differently within which strategic and operational HRM can be reactive and/or proactive.

In conclusion, the present multiple case study research has explored how different diversity management paradigms identified in organizations impact HRM. It also indicated how the HR function can add value through means of diversity. The data was collected among five Finnish organizations in different industries to find out how they, through HRM, have managed their increasing cultural diversity and developed it during the two- to three-year study period. Two organizations proactively intensified their efforts towards integration of diversity into their HRM activities, the other three mostly progressed reactively. By the end of the study, needs were recognized in all organizations to promote diversity management, at least to a certain extent, either at the strategic or operational HRM level, which supports earlier research of its role when implementing diversity effectively (Kirton & Greene, 2005; Kandola & Fullerton, 1998). Furthermore, the desired outcomes of diversity were seen to need more time, commitment and resources. Since HRM has been criticized in advancing effectiveness, instead of equality (Kirton & Greene, 2005), it appeared in this study that the importance of HRM issues has also been recognized when enhancing equity and fairness issues. This could be achieved either by aiming to integrate diversity into HRM or by using HRM as a force for change (Cornelius et al., 2001; Ulrich, 1997). The findings also revealed that when organizational business objectives are targeted by using a culturally diverse workforce as only a resource, reactive involvement of the HR function is dominant and it has minor importance in managing diversity and adding value. If inclusiveness and equity are recognized as important in utilizing diversity or learning from its opportunities, then the HR function was found to become proactive first at the strategic level in promoting diversity issues, while at the operational level the HRM activities developed slower to show signs of proactivity. These outcomes offer evidence that although the HR function is influenced by the objectives of the respective diversity management paradigm, the recognition of the operational HRM's capability to add value and to increase diversity effects is most crucial.

Implications

The study increases our knowledge about strategic and operational HRM within certain managing diversity paradigms. Since the HR function was found to be affected by the relationships between the objectives of HRM and the

objectives of managing diversity, the study asserts that, in a change towards a proactive diversity management paradigm, to manage diversity more effectively depends on whether HRM has the relevant competencies to become proactive both at the strategic and operational level. In practical terms, the study offers insights into the alternatives to managing diversity along with perspectives to promote diversity issues through a proactive HR function. It also offers some ideas for designing the content and delivery of HRM activities to manage diversity and to increase inclusiveness.

The research covered only five case organizations during a limited period in a country with low cultural diversity and thus limits its generalization. Also, concentrating on the views of selected groups of informants represents a limitation to the validity of the study. Furthermore, the typology used can produce a risk of oversimplification both in classifications of organizations and their reactive/proactive HRM activities. Nevertheless, the study has contributed insights into issues that need to be given key consideration, especially at the emergent stages of cultural diversification. In order to better understand the HR function's activities in managing diversity, it is suggested that future research should explore options for HRM both at the strategic and operational level in order to highlight alternative ways to add value through diversity as well as to attract, retain and motivate a diverse workforce in the light of expected future developments.

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Developing Culturally Diverse Organizations: A Participative and Empowerment-based Method

Aulikki Sippola

Abstract

Purpose – This study aims to investigate the promotion of workplace multiculturalism via the use of a participative and empowerment-based diversity training and development method.

Design/methodology/approach – A two-year long qualitative, multiple case-study amongst 15 Finnish organizations was conducted by means of the focus group method. Altogether 20 group interviews were held with so-called ‘working culture bridge groups’ consisting of different stakeholders and their four coordinators to explore the approaches, modes of action, achievements and explanatory factors that contributed to the development of working cultures towards multiculturalism.

Findings – The development method was directed more at individual than organizational level change processes. More specifically, the attitudes of the majority were perceived as the main problem and the goal was to influence them by enhancing their knowledge and awareness of multicultural issues. The effectiveness of the method was recognized to depend on the clarity of set goals, adequate resources, systemic development work at both the individual and organizational level as well as on the commitment of management.

Research limitations/implications – Despite being conducted in one country with low cultural diversity, an empowerment-based method proved to be useful in directing the creation of inclusive working organizations.

Practical implications – The method helps in planning the content and delivery of different diversity training and development approaches.

Originality/value – The paper offers a powerful tool and an innovative way for practitioners to align both organisational and diversity goals to meet individual needs, to identify inequalities and to increase the effectiveness of diversity initiatives.

Keywords cultural diversity, culture change, training and development, Finland

Paper Type Research paper

Introduction

The cultural and ethnic-based demographics of workplaces are changing as labour markets become more diverse, even in traditionally homogeneous countries such as Finland. Managing diversity can be seen as a strategic response to these changes and focuses on the utilization of the entire workforce (Thornhill *et al.*, 2000). Moral, legal and economic performance factors are, according to Cox (1993), the types of organizational goals that can be achieved by managing diversity. The purpose of diversity development initiatives depend therefore on their objectives, namely increasing awareness, understanding and valuing each other, empowering managers, as well as learning more about the benefits and challenges of diversity (Cassell, 2001). However, the main motivation has often been found to be derived from operational business needs, such as to improve productivity, competitiveness or customer relations (Bendick *et al.*, 2001; Noon and Obgonna, 2001; Wentling and Palma-Rivas, 1998).

It is widely acknowledged that the effective management of diversity implies changes in mindsets, attitudes, behaviors, organizational practices, structure and culture as well as in regulations, procedures and power relations (see e.g. Kirton and Greene, 2005; Lorbiecki, 2001; Litvin 2002; Dass and Parker, 1999; Kandola and Fullerton, 1998; Tayeb, 1996; Kossek and Lobel, 1996). That is why investing diversity is seen as cultural transformation; to adapt and change organizations, not only individuals (Maxwell *et al.*, 2001). Individual- and organizational-level development approaches have been suggested to arise from the increase in information and the changes of attitudes and behaviours towards organizational change (Wrench, 2001; Bendick *et al.*, 2001). These approaches can also be identified in diversity management paradigms, which range from resistance to learning within supportive working environments (Dass and Parker, 1999; Thomas and Ely, 1996). In creating an inclusive culture, partnership with employees (Gagnon and Cornelius, 2002) and empowering development methods are suggested to be useful, particularly in bringing about cultural change (Ulrich, 1997). On these grounds, long-term project-based employee involvement in promoting workplace multiculturalism can be viewed as a new empowerment-based method for organizational development. However, its applicability and effectiveness is only scarcely reported in existing research.

The aim of this study is therefore to fill this gap in our understanding by investigating how workplace multiculturalism is developed and promoted through a method that allows for the participation of the organizational members. More specifically, it is explored (a) how development goals are set, (b) what training and development methods are applied and (c) what the

outcomes and their explanatory factors are. The paper contributes to the literature by applying established frameworks of diversity training and development methods and managing diversity to uncover their relationships in promoting workplace multiculturalism. A two-year long qualitative, multiple case-study amongst 15 Finnish organizations was conducted in order to investigate the approaches, activities and achievements of the so called 'working culture bridge groups'. In the following sections, the function and objectives of various diversity training and development approaches are first examined. Their application in different diversity management paradigms and the effectiveness of training and development are then discussed. After presenting the results of the study, the paper concludes with a discussion of the implications.

The function and objectives of diversity training and development

Diversity is a plural term consisting of different perceptions and understandings in different organizations without any unitary meaning (Cassell, 2001; Omanovic, 2002). They derive from the traditions, culture, history and persons who created the values and perceptions of insiders and outsiders, as well as the systems supporting this view (Cox, 1993). Workplace diversity can be connected to the composition of a workforce as a collective and all-inclusive mixture of employee differences and similarities (Thomas, 1995), being either visible or invisible (Moore, 1999). When attention is paid to only demographic factors (age, gender, race, ethnic background), employees are considered as members of different identity groups (Thomas and Ely, 1996) collectively sharing norms, values and traditions (Cox, 1993). This study focuses on training and development activities relating to cultural diversity issues.

According to studies in EU countries and in the U.S. (Bendick *et al.*, 2001; 1998; Wrench, 1997; 2001) the evolution of diversity training and development, as well as the improvement of the employment opportunities of minorities, have advanced in sequential phases regarding their type and object. Approaches to training that correspond with four different change strategies are offered by Wrench (1997; 2001) in the form of providing information, impacting attitudes, behaviours or organization and targeted at minority, majority or both in a broader organizational and societal context.

In the *first phase* of development, the assumption is that correct information can lead to changes in majority behaviour. General information about immigration, immigrants' employability and different cultures is provided by public authorities to the majority in order to promote understanding, increase cultural awareness and knowledge of issues relating to racism in forms of printed material, lectures and videos. Organizations offer *Information Training*

mainly to immigrants and minorities covering language, working and cultural habits allowing the practice of their own habits related to religion and culture. In the *second phase Cultural Awareness Training* is delivered to minorities to understand majority culture and issues linked to *Racism Awareness* are offered to the majority. The aim is to change majority members' racist attitudes and prevent discriminative behaviours, which are considered to be their own problems and therefore their responsibility to remove and eliminate them. Via group discussions, exercises, role plays and inviting immigrant representatives, cultural awareness and sensitivity seek to be enhanced and attitudes changed, for example by increasing people's understanding about how to work with persons from other cultures (Wrench, 1997; 2001).

It has been noticed that discrimination is not reduced by only changing attitudes, especially if prejudices, harassment and racist behaviour are not recognized. The *third phase, Equalities Training*, therefore targets appropriate behaviour of the majority, basing it on the obligations of equality legislation and the prohibition to discriminate. Fair recruiting and selection are particularly emphasized. Also positive actions (translated job advertisements, minority media, images of minority, mentoring, extra training) can be applied to increase equality and the number of minorities in relation to the surrounding community. The *fourth development phase* aims at broader organizational changes by means *Anti-Racism Training* through consciously increasing majority self-awareness and changing both their attitudes and behaviours. The goal is actively to combat racism and discrimination, which are considered to be the main problem of the organization, not only (white) individuals' self-awareness. *Diversity Training* is offered when organizations aim to manage diversity and utilize it in business, emphasizing fair treatment, valuing individual differences and the prevention of costs of discriminative actions. Training is often targeted to managers, which could via cultural auditing, recognize the barriers and 'institutional racism' in promoting equal opportunities and thereby affect organizational practices and culture. Because the goal in managing diversity is to create a culture over the long-term which supports heterogeneity, and in which minorities are not assimilated, training can include elements of all of the above mentioned training types (Wrench, 1997; 2001). How these various modes of training and development are manifested in different diversity management paradigms is discussed next.

Training and development in diversity management paradigms

The various approaches to managing diversity in organizations have been divided into four paradigms: *resistance, discrimination-and-fairness, access-and-legitimacy and learning-and-effectiveness* (Dass and Parker, 1999; Thomas and Ely,

1996). They comprise explicitly different perceptions about diversity, of its importance as well as the internal and external forces influencing its management, ranging from reactive to proactive (Dass and Parker, 1999). Sippola (2005) has identified that strategic and operational HRM, including training and development, also manifests itself in these paradigms from reactive to proactive. The content of these paradigms along with different training and development approaches is now turned to.

In the *resistance paradigm* organizations concentrate on enhancing organizational effectiveness and productivity by maintaining demographic and cultural homogeneity and the status quo (Omanovic, 2002; Dass and Parker, 1999; Cox, 1993). It represents a strategically reactive management approach, which fosters assimilation and regards diversity as a non-issue (Dass and Parker, 1999; Moore, 1999). Accordingly, training is ignored (Moore, 1999) or it is offered to minorities and focuses on delivering information mainly during the induction process on workplace norms and values in order that the individual can adapt to the existing working culture and habits (see e.g. Sippola, 2005; Omanovic, 2002; Wrench, 2001; Ford and Fisher, 1996). Habits relating to religion and culture can be permitted and cultural awareness can be increased for the majority (Wrench, 1997; 2001).

Discrimination-and-fairness paradigm organizations can also be described as being strategically reactive, because their management is based on the enhancement of sameness instead of diversity on the grounds of equality legislation and obligatory initiatives (Dass and Parker, 1999; Thomas and Ely, 1996). It is argued that organizations formally support and develop equality in their policies and statements (Kirton and Greene, 2005). Diversity is considered as a cost and assimilation and segregation are prevailing (Dass and Parker, 1996). Especially in recruiting, equal treatment and positive actions can be emphasized to avoid discrimination (Wrench, 2001; Moore, 1999). That is why some proactivity is noticed by increasing and assessing the numbers of minority groups (Kandola and Fullerton, 1998; Thomas and Ely, 1996), however, minority members are adapted as above to the dominant culture via information delivery and skills training (Sippola, 2005; Ford and Fisher, 1996). If offered, the development and training activities of the majority can include the increase of knowledge, cultural awareness and legislative equality issues which aim to change their behaviours (Wrench, 2001).

The *access-and-legitimacy paradigm* organizations attune to diversity as a business case (Noon and Obgonna, 2001), which can offer access to a new customer base (Thomas and Ely, 1996). Managing diversity is utilizing and maximizing the individual potential by paying attention to effectively manage and value differences and by creating a culture and atmosphere of respect as a

responsible employer (see e.g. Maxwell *et al.*, 2001; Cassell, 2001; DeNisi and Griffin, 2001; Deresky, 2000). The aim is the strategic use of employees as a source of competitive success adding value to the organization (Cunningham and James, 2001; Ulrich, 1997), which can also be stated in a diversity policy (Kirton and Greene, 2005). In spite of the proactive management and strategic HRM approaches, the HR function often stays operationally reactive without changes (Sippola, 2005). For instance, training is mainly targeted at changing majority attitudes and behaviours (Bendick *et al.*, 2001; Wrench, 2001), to increase communication and interaction (Wiethoff, 2004) as well as mutual understanding to avoid possible conflicts (DeNisi and Griffin, 2001; Deresky, 2000). However, it is argued if diversity training is a loosely integrated intervention, it can have short-term influence, and even contradict its own goals despite its good intentions (Easley, 2001; Moore, 1999; Nemetz and Christensen, 1996), and increase the reproduction of stereotypes (Prasad and Prasad, 2002).

The *learning-and-effectiveness paradigm* organizations connect diversity to work and employee perspectives, and proactively manage it aiming at fundamental changes in thinking, structure, tasks and environment (Dass and Parker, 1999; Thomas and Ely, 1996). Also non-bureaucratic and egalitarian culture is seen to contribute to performance, empowerment and encouraging openness and diversity (Thomas and Ely, 1996). The target is towards viewing employees as strategic assets; irreplaceable, valuable and as an investment (Ely and Thomas, 2001; Cornelius *et al.*, 2001, Dass and Parker, 1999) linking the management of diversity to the organization's mission, vision and business strategy (Kirton and Greene, 2005; DeNisi and Griffin, 2001; Kossek and Lobel, 1996; Tayeb, 1996; Wilson, 1996). Therefore, this paradigm supports multiculturalism, elimination and minimization of the institutional bias within HRM and commitment to systemic, structural and informal integration of equality and diversity (see e.g. Cornelius *et al.*, 2001; Dass and Parker, 1996; 1999; Cox, 1993) by means of a strategically and operationally proactive HR function (Sippola, 2005). Consequently, the changes cover all relevant training and development activities (Moore, 1999; Wentling and Palma-Rivas, 1998). At the individual level, for example, diversity training in particular, aims to offer awareness, competency and skills training for all (Moore, 1999). Additionally, participation is seen to foster a fair, inclusive and enabling culture as well as the creation of proactive structures, strategies and practices (Cornelius and Bassett-Jones, 2002; Gagnon and Cornelius, 2002). On these grounds a holistic and a more systematic approach to training and development is seen to contribute both to individual (minority, majority) and broader organization level changes (Bendick *et al.*, 2001; Wrench 2001; Ford and Fisher, 1996).

As noted in different diversity paradigms the way in which diversity is approached, perceived and developed varies. Furthermore, the function and objectives of training and development activities correspond with the aims of the paradigms confirming their application both as individual and organizational level change strategies (Wrench, 2001). The factors that can impact the effectiveness of diversity training and development are now discussed.

Effectiveness of diversity training and development

Although training on diversity issues has become popular and is widely used (Jayne and Dipboye, 2004; Wentling and Palma-Rivas, 1998), its effectiveness has been criticized for many reasons suggesting that, on average, it has a neutral or marginal positive effect (Von Bergen *et al.*, 2002; Bendick *et al.*, 2001). It is also argued that training interventions concentrate more on changing attitudes and behaviours (Jackson and Joshi, 2001; Ford and Fisher, 1996) than on addressing the need to conform to organizational systems, cultures and performance goals (Bendick *et al.*, 2001). Moreover, the rationale for the training is often unclear (Bagshaw, 2004). If the training's objective is focused on individual-level development activities alone, it is argued to be unable to change culture, power relations, structures, systems or processes (see e.g. Litvin, 2002; Easley, 2001; Jackson and Joshi, 2001; Moore, 1999). It is therefore suggested that training can become more effective when it represents a more comprehensive and systemic approach to organizational development, towards changing workplace climate and culture and when coupled with changes in corporate HR policies, systems and practices to foster fairness issues (Cropanzano *et al.*, 2004; Jackson *et al.*, 2003; Bendick *et al.* 2001; Easley, 2001). It should also be targeted to all members and levels of the organization (Omanovic, 2002; Bendick *et al.*, 2001; Ford and Fisher, 1996). However, opinions about whether it should be compulsory do vary (see e.g. Jackson *et al.*, 2003; Linnehan and Konrad, 1999; Wentling and Palma-Rivas, 1998).

Other components relating to the effects of training and development initiatives are, for example, the qualifications and characteristics of the providers, their sufficient managerial, academic, professional and personal skills and experience (Kossek *et al.*, 2006; Wrench, 2001; Bendick *et al.*, 2001; Wentling and Palma-Rivas, 1998). Training content, i.e. tailoring designs and delivery methods, are influential (Bendick *et al.*, 2001; Von Bergen *et al.*, 2002) as well as the state of readiness towards diversity (Diamante and Giglio, 1994). External trainers have been found primarily to aim to change behaviours by increasing knowledge and attitude training (cultural awareness, stereotyping, interaction, recognizing discriminative behaviours, benefits of diversity) using

written and video material and lectures and/or instructional methods for active learning (group exercises, role playing, discussions) (Von Bergen *et al.*, 2002; Bendick *et al.*, 2001). Secondly, their training has been aimed to promote organizational change and therefore has been considered not to be used as an isolated event, but as a part of a broader change process (Bendick *et al.*, 2001).

In developing successful diversity programs the setting of goals with feedback and evaluation on its progress is said to guide and energize participants towards fully achieving them if they are realistic and based on careful assessment (Jayne and Dipboye, 2004). The major goals of effective training have been recognized to be to increase organizational or personal effectiveness, which can be reached by linking it to business needs and objectives along with long-term assessment and revision (Wentling and Palma-Rivas, 1998). That is why commitment, strategic support and involvement of top management and long term resources are crucial for fundamental changes in addressing, for example, discriminatory practices (see e.g. Kirton and Greene, 2005; Jayne and Dipboye, 2004; Bendick *et al.*, 2001; Cox, 2002; Nkomo and Kossek, 2000; Wentling and Palma-Rivas, 1998). When using internal resources for training and building its content, collaboration and involvement of the 'user' is said to contribute to its dynamics (Wiethoff, 2004; Easley, 2001) and credibility through increasing management's commitment (Diamante and Giglio, 1994) as well as participants' motivation to learn (Dass and Parker, 1999).

It has also been noticed that traditional diversity and equality initiatives fail because they are mostly top-down, planned and employer-driven, presenting issues that are considered significant by the employer and not by the employees (Richards, 2001). Top-down driven culture change initiatives including training, rewarding and increasing communication to shape employee behaviour have also been found challenging, if used as isolated events (Ulrich, 1997). It is, therefore, suggested that participative methods and open dialogue can elicit a change in viewpoints and promote changes in the existing culture (Easley, 2001; Nemetz and Christensen, 1996).

Since a culture change concerns changing an organization's identity by influencing the shared mindset of the individuals (Brockbank, 1999; Ulrich, 1997; Thornhill *et al.*, 2000) and by changing organizational processes and practices (work, communication, decision-making/authority, human resource flow), a bottom-up development approach is seen as useful in finding the desired new mindset and quickly translating it into specific, new employee behaviours from their points of view (Ulrich, 1997). These views support the application of empowering development methods, when aiming towards cultural changes, and more specifically when creating an inclusive organization,

an enabling working environment and in HRM system design as considered crucial in the learning-and-effectiveness paradigm in order to learn from diversity. In those change efforts, partnership with stakeholder groups (employees, employee representatives, trade unions) and incorporation of their perspectives have been seen as useful (Simmons, 2004; Easley, 2001; Cornelius and Bassett-Jones, 2002; Cornelius et al., 2001; Cox, 2002) for instance in identifying problems, in increasing understanding and getting new ideas, initiatives and experiences (Simmons, 1995). Ulrich (1997) goes on to argue that a holistic approach to change combines not only top-down and bottom-up approaches, but also side-to-side initiatives such as process engineering.

A participative and empowerment-based development method, on these grounds, would therefore appear to be a potentially effective tool for training and developing an organization to support cultural diversity. For its successful application it is suggested that the goals and modes of action need careful attention in order to increase the method's potential as its effectiveness is influenced by multiple factors (the Figure 1). This study applies the typology of Wrench (2001) and its various training modes in exploring and analyzing the approaches, activities and achievements of the so called 'working culture bridge groups', which aimed to change organizational working cultures towards multiculturalism.

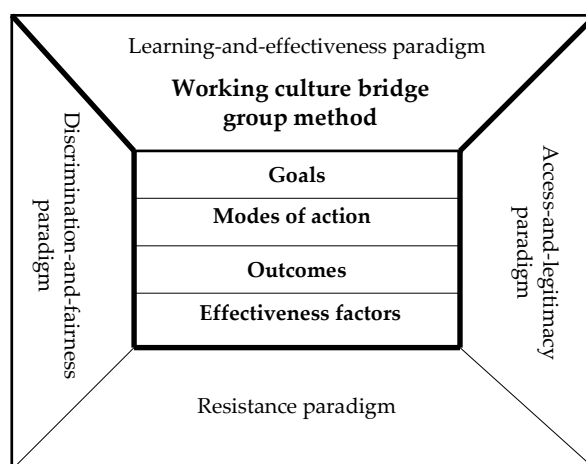


Figure 1. A Participative and Empowerment-based Development Method

Methodology

The study adopts a qualitative research approach as a means to investigate the phenomenon in the real life context and reveals its complexity with the help of

rich and holistic data, which also offers access to the data as a longitudinal process (Miles and Huberman, 1994; Denzin and Lincoln, 1994). A qualitative case study approach is suggested to be beneficial in gaining intrinsic understanding and insights into a given phenomenon as a process (Stake, 1994; Merriam, 1998). A multiple-case study design therefore has been selected since it is more compelling and allows the exploration and description of phenomena through its similarities or contrasts (Yin, 1994).

The study was conducted among so-called 'working culture bridge groups' within 15 Finnish organizations in the capital area of Finland. The organizations had participated in a three-year long (2002-2005) project (ETMO), which belonged to the EU's Community Initiative Programme (EQUAL) aiming to promote tolerance and multiculturalism in working communities and to increase the employability of immigrants. The organizations comprised both private and public entities, and differed from each other in terms of experience as recruiters of a foreign workforce, in their field of activity and industry, as well as in their stage of internationalization. All of the organizations had consciously increased their foreign-based workforce (maximum 15%) in preparation for labour shortages and were keen to promote multicultural issues. During the two-year research period two organizations changed ownership causing large-scale layoffs.

The aim of the development groups was to find new, suitable modes of action and means for acting in a multicultural working community and to support the goals of the whole project. The members of the groups comprised representatives of the employer, employees and trade unions including persons of immigrant background. The groups also had coordinators, provided by the project, as external coaches. The members of the groups made one excursion during the study period to Austria or Ireland. The starting point for the groups' work was a survey conducted by the project organization and a seminar based on its results.

The data was collected by means of the focus group method, supplemented by documentary analysis. The four coordinators were interviewed as a group five times during the two year period. The 15 working culture bridge groups were interviewed in one round at the end of the project in Spring 2005. The documents analyzed consisted of the diaries of coordinators, records of meetings of the groups, personal and client magazines and seminar material produced during the study period. The focus group method is useful, as it provides data and insights into participants' opinions and experiences through group interaction giving the access to otherwise not easily obtained data (Morgan, 1997). The topics discussed in each of the group interviews were the following: 1) the goals of the development work, 2) the development methods,

and 3) the achieved outcomes. The interviews lasted between 60 to 90 minutes. For validity reasons the data was collected from multiple perspectives and using parallel sources (Yin, 1994). For reliability reasons the group interviews were taped, transcribed *verbatim* and analyzed along the key themes using textual analysis software. Direct quotations are used throughout to increase reliability (Silverman, 2001). The findings of the study are presented next thematically and the results are summarized in table form.

Institutional and cultural context of Finland

The Finnish context with regard to workforce diversity is challenging, because some issues have been dealt with very effectively in the modern democracy and society, for example the legislative foundation (Act on Equality between Women and Men, 1986; the Equality Act, 2004) for overall equality in all fields of life along with respect for individual freedoms (Lewis, 1992). Indeed, strong unionization is characteristic of all Nordic welfare states. Since almost 900,000 employees (from a total of five million) will exit the Finnish labour market within the next fifteen years (Tiainen, 2003), an increasingly foreign-based workforce has been deemed inevitable (Forsander, 2002).

The country and its people have been criticized for their narrow-mindedness, racism and weak self-esteem, which has resulted in hidden or negative attitudes to 'different' people (Torvi and Kiljunen, 2005; Makkonen, 2003; Hannula, 1997). These perceptions are based on historical developments as throughout the centuries the country and its population have been in between the 'threat' from the east (Russia) and the 'modernity' from the west (Sweden), defending and preserving its strong national identity, homogeneity and self-conscious (see e.g. Torvi and Kiljunen, 2005; Anttonen, 1998). As a consequence, Finnish people are said to be pragmatic, rational, technically oriented, reserved, modest, arrogant, but also courageous and persistent (Mikluha, 1996; Lewis, 1992). For these reasons, amongst others, the issues of diversity and equality are more complex, and partly explain their historical status as a non-issue in Finnish working life.

The approaches of a participative and empowerment-based development method

Setting the goals

Most of the working culture bridge groups set the goals for their development work in the beginning of the project. Some groups started by firstly trying to define the problems. Others were not able to set goals and so the goals emerged during the project period. The goals were based on two kinds of approaches,

either *general/specific development work* or *solving a certain problem*. Two of the groups used both approaches. General and more extensive development approaches consisted of aims to improve working climate, to promote the acceptance of multiculturalism and to prepare the organization for possible future problems and challenges. The drivers behind the general approaches included aims to decrease the turnover of immigrants, to increase their numbers, to create discussion, to remove barriers for immigrants and to activate employees. Two groups considered their organizations to be more attractive and competitive or better equipped for the changing demographics in terms of accepting multiculturalism. Only three organizations made a clear linkage to business objectives in conjunction with their development work and considered the handling of multiculturalism issues important for their future operations. Two organizations conducted an internal study for immigrants in order to better target their development work. to immigrants

The following sets of quotations describe the goal setting phase of general development work. A member of one group described their unclear aims: *"In the beginning we did not have any real goal. We were looking for those development areas, which we would like to handle. But it was not defined where we want to end up."* One group explained how it used the background study and seminars to direct its work. *"Although this issue as a whole was slightly unclear at the beginning, they (study and seminars) helped to plan our activities. And we then decided that increasing knowledge and improving the climate are important issues for us. However, in the beginning we had not found any problems with immigrants or vice versa."*

A group with clearer development goals expressed them as follows: *"We had clear objectives that it (the project) would bring Finns and foreigners closer. That acceptance would not be a big barrier in us working together."* Another group illustrated their goals and desires: *"Well, we did have a clear goal to integrate these immigrants better into our working community."* More specific goals that were developed in five of the organizations included the development of induction material and processes which take immigrants into consideration as illustrated in one group: *"When this project came, a feeling arose that with its help the position of immigrant employees could be improved. That maybe we could even bring more immigrants into this unit, or at least establish permanent posts for some of those who are already here. Induction therefore became a long-term target."* Another group considered that by developing induction processes, the capabilities of immigrants could be quickly utilized, and the individual experiences of a responsive and considerate working community would also increase motivation. *"We have believed for a long time that if an outsider (an immigrant) feels that she/he is taken into consideration in induction and that possible differences are seen*

as valuable, it will certainly benefit all parties. So the focus therefore fell quite naturally and easily on the induction."

The problem-based development approaches covered specific problems to be solved. Amongst such were finding solutions to the negative attitudes towards immigrants or to develop extensively their employment and working conditions and to improve practical work-related issues. The latter goals were linked to business objectives and the future need to increase communication and understanding of the multi-level challenges during the entire employment cycle: *"Our target was that an immigrant can actually be employed by us, that it is easy for her/him to come to work for us. In fact, that target has already been achieved to a certain extent. An immigrant can be recruited through the normal process. The ice has been broken and each supervisor knows that again one day an immigrant will come to work for us."*

The findings relating to goal setting revealed that the main targets were in almost all of the cases to increase the acceptance of multiculturalism and improve the working climate. Additionally, a few of the groups focused on changing induction processes and material. The goals can be said to cover issues which aim to improve immigrant working conditions and, more precisely, they focused on the need to handle multicultural issues, to increase knowledge, to facilitate attitudinal changes of the majority and to stimulate cultural changes (Wrench, 2001).

Modes of action

During the two years the groups worked mainly with similar modes of actions and methods. The development work was completed and processed in group meetings, which were mostly held regularly. The groups discussed in general terms about multiculturalism and diversity issues, displayed artefacts and offered information and material on the project and on the groups' work to the members of the organization. Information covered issues such as 'multiculturalism at work', or more specific themes, for example, different cultures. In addition, formal and informal meetings were organized in a few of groups, in which immigrants could speak about their everyday problems and the majority could discuss multiculturalism issues in the working context. The groups used various media to deliver information, and often described it as active communication. The communication channels included personnel/client magazines, the intranet, information boards, and separate brochures. In addition, stories and interviews of immigrants were included in company magazines. The groups also organized internal training activities mainly sponsored and planned by the project organization. Almost half of the groups organized one-day educational events aimed at a part or the whole of the

organization, in which multiculturalism, interaction skills, intercultural communication issues or general information on immigrants and working life challenges were discussed. Some groups criticized that they were inefficient in relation to their content and short time period suggesting more participative training. Also language courses, leisure time activities, 'theme-evenings' and football games were held. Public media and local radio were also utilized to inform stakeholder groups of the project and the groups' work. The project produced its own magazine, and its coordinators provided the groups with general information or material made by the project, informed of educational events and offered assistance.

The importance of information and the utilization of magazines in delivering it were expressed in one organization: *"Information is the keyword in this task. It helps people to think more broadly. And it also helps when people in different groups, whether they are immigrants or otherwise, if he/she wonders why they need to adapt to immigrants. That their voice can be heard."*; *"We promote this (cultural) diversity and create articles, interviews. They (immigrants) are included in activities and we listen to them in all matters (...). In other words, they are members of our organization like anyone else, and that is the starting point, which must be made conscious."* Another group also described the significance of information: *"It was very clear for us from the beginning that information is the big output that can be generally carried out. And in my mind we have largely succeeded in it. Everyone certainly knows this project and its theme; some, hopefully, even deeper. On the other hand, we also had a vision inside the group that if we could at least communicate the theme to people, then that is already something. That is a start."*

The content of training events was illustrated in one group: *"We have utilized the resources of the project organization and their experts a couple of times. They have been related to how interaction really is an important factor in creating the climate in the working community. On the other hand, at the same time figures from the Finnish labour market and other general information have been presented."* One group described their activities after the interaction training: *"We have talked a lot (after the training). How much new knowledge everybody learned, such things that he/she did not know before, and after that openness has increased. These conversations have not been conducted only once, but many times (...)."*

The modes of action applied in improving the working climate and promoting the acceptance of multiculturalism were by delivering information and organizing interaction training to the members of the organization. The specific (modification of induction) or problem-based development groups concentrated additionally on their tasks within the group. These applied development methods have been recognized in earlier studies to be used when

aiming at individual (attitudes, behaviours) and organizational level changes (Wrench, 2001).

Outcomes of the development work

The findings regarding the outcomes of the groups revealed that the groups in most cases were satisfied with their work. A common feature was that in spite of the chosen development approach the goals of the development work were said to have been reached or problems successfully resolved. All groups viewed their overall success and achievements as being the increased knowledge and awareness of multiculturalism, diversity and immigrants mainly via active communication. The outcomes of the development work were expressed as changes in the working climate and in their own employees and clients. The climate was found to have become more open, tolerant and receptive to multiculturalism after the project in almost all of the organizations. The groups considered such a result as a visible change illustrating it in the following ways: *"It is difficult; difficult to say something really concrete that the project has brought. But the general impression is that this certainly has promoted a kind of open discussion and has promoted an improved climate. This positive image, however, is from the whole project."* Another group expressed their climate change: *"The climate is more open and able, simply that we know we are different. It really is a huge change even just to know the legislation that relates to these immigration and foreigner affairs."*

Almost every group mentioned that prejudices were deemed to have decreased at least to some extent and in general, reactions, communication and attitudes to co-workers were considered to be more equal. This was stated in one group: *"Well, we aimed to affect attitudes and in my mind we have done it by discussing and opening up the attitudes of people. For instance, what they depend on, what they are and what the prejudices are."* Another group found changes in the clients' attitudes: *"Our clients no longer require, if we have an open position (...), that they want a Finn. This is in my mind a decisive, positive attitude change."*

In one organization, which had not stated any problems, the group members saw, that their overall preparedness had increased and it had been transferred to everyday practices in spite of no written action plan having been made: *"We are in a good situation. If we encounter problems we have a ready made plan to resolve such situations. It is a pity that it (the project) ended halfway through. But the final outcome in my mind is good, that we have six persons here who mediate."* Also those groups with specific targets to develop and prepare induction material (plans, guides, handbooks) or to modify its processes, said that they had succeeded in reaching their goals. One group had worked with clothing, which was seen to support the working conditions of a diverse workforce: *"The work clothes were designed so that it suits everyone in spite of different religious backgrounds without*

pressuring or emphasizing any certain religious group. Trousers and/or a long skirt is a part of the work uniform."

Throughout the project period the commitment of the groups was considered as being mainly good and, with only few exceptions, group members were motivated and enthusiastic. However, partly due to workload, lack of time or external factors (e.g. buy-outs and lay-offs) involvement was not always active. In addition, the commitment of management and their attitudes towards the development work varied from full support to a lack of it. As a consequence the low commitment decreased groups' motivation, slowed down their work, and affected the outcomes. The importance of the commitment of management was expressed in one group as follows: *"In my mind if a project is started, it should begin by turning to the top human resource management. And it is (then) required that the CEO and the other top management are involved. When it originates from upper levels, then it works. We have it now, because we (the group) ourselves have started from that (basis) and it has worked out that way in our organization."*

A changed climate was considered to last due to increased knowledge. However in order to increase the effectiveness of the development work and the permanency of the changes, one group stressed again the management's role: *"If this project is directed towards us from the top, that these kinds of things need to be taken into consideration, then it will also be realized in practice."* Another group stated: *"To really make some progress, it (multiculturalism) requires that the real decision-makers are involved. Even in the final seminar they were all missing, which in my mind was very stupid. Especially since many years and so much money has been spent on this kind of endeavor."* Some groups conducted check-ups of HRM practices' relevance and ensured that they also suited immigrants.

In some cases co-workers weak interest in participation in organized activities (e.g. in evening events) were said to depend on unclear objectives of the project's work and for whom it was meant. However, it was also suggested as meaning that things were working fine: *"Passiveness also means a kind of satisfaction. If I think of the immigrant people that I know from various countries, they are very well adapted to Finland."* Skepticism regarding the changing of existing modes of action was compared to the low status of the group: *"The group may have an influence on changing attitudes. But I cannot imagine that it would possess a status that would see it present top management with subjects, opinions or demands to think about; that it would have very much power. I do not doubt that the group would not be listened to, but after all this is not that type of organization."*

As a whole, the project was considered to have developed working communities very much or to some extent towards multiculturalism, a more open working climate was created and prejudices were decreased. The results

of the study are summarized in Table I showing the goals of the development work, the modes of action, the achieved outcomes and the effectiveness factors.

Table I. Summary of Research Findings

| Goals | Modes of action | Outcomes | Effectiveness factors |
|---|--|---|---|
| A. General: *Improvement of working climate *Promoting the acceptance of multiculturalism *Preparing organizations for the future | *Delivery of information, communication: multiculturalism issues, working with immigrants, employment issues for immigrants *Interaction training | *Increased knowledge and awareness of multiculturalism, diversity and immigrants *Perceived climate changes towards openness and tolerance *Perceived attitude changes of employees and clients | *Goal setting partly clear *Mainly adequate resources and motivation *Information provision most important and main activity *Systematic development work produced successful outcomes |
| B. Specific: *Modification of induction processes *Production of induction material | *Multiculturalism elements added to induction | *Modified induction processes, new material *Other outcomes as in A | *Management commitment considered very important *Feedback from management and professional guidance lacking |
| C. Problem-based: *Reducing negative attitudes towards immigrants *Employment challenges (as a whole) | As in A | As in A | |

Discussion and conclusions

The empowering development approach is suggested to be an effective means in changing culture and in creating an inclusive working environment (Ulrich, 1997; Simmons, 1995). The findings of the culture bridge group method revealed that the setting of the goals for the development work was found to be either easy or unclear despite of the fixed goals of the whole project. This suggests evidence of the unclear rationale for training and development (see Bagshaw, 2004) which can postpone the active commencement of development activities. The general targets were to improve working climate and to promote

the acceptance of multiculturalism. The specific targets concerned the modification of induction, and the problem-based targets concerned the negative attitudes towards immigrants and challenges of their employment as a whole. None of the groups mentioned a need to create or modify the equality/diversity strategy or policy or a need for structural changes (Cropanzano *et al.*, 2004; Jackson *et al.*, 2003).

The groups applied similar training and development approaches, the main methods being the provision of information on the project and on multiculturalism issues as individual level change strategies (Wrench, 2001). Some of the groups recognized a need to offer more comprehensive training and to increase interaction skills (Wiethoff, 2004). Most of the groups then organized one day awareness, interaction and intercultural communication training to all or some of the personnel (Bendick *et al.*, 2001; Wrench, 2001). Almost every group found the ready-made package training too intensive as to its contents and therefore, inefficient, which supports earlier evidence that short term and non-tailored training is not able to influence attitudes or behaviour, not to mention structures, culture or power relations (Von Bergen *et al.*, 2002; Litvin, 2002; Easley, 2001; Moore 1999). The organizational level strategies (Wrench, 2001; DeNisi and Griffin, 2001) covered modifications of induction processes and material in terms of additions of a 'multicultural part' to better suit immigrants. Other major changes were not conducted within HRM as they were stated to be 'in order'. Interestingly, inequality or discriminating practices were not mentioned to exist, which are said to be the reasons for practical and fundamental changes when managing diversity effectively (Kirton and Greene, 2005; Jayne and Dipboye, 2004; Bendick *et al.*, 2001; Cox, 1993).

The groups were mainly satisfied with their work and achievements stating that visible and concrete outcomes were recognized. Such were organizational and working climate changes towards more openness, tolerance and receptiveness to multiculturalism due to decreased prejudices, increased knowledge and awareness. The groups which developed general employment conditions and induction process cited success in their work as well. These findings offer evidence, that active and more systemic training and development efforts can contribute to both individual (minority, majority) and broader organizational level changes (Bendick *et al.*, 2001; Wrench 2001; Moore, 1999)

The groups also recognized some reasons why they had not succeeded as they wished. Criticism was aimed at the lack of support and commitment from the management side, the lack of time and authority, coordinators' incompetence in offering consultancy assistance or outside pressures. That is why feedback from the groups included suggestions of co-operation with

management, involving all members of the organization, as well as long-term and a more planned development approach with clearer targets. All these findings concerning realistic goals, evaluation, commitment and professional guidance are stated in earlier research to be the reasons for failures or reduced effectiveness in training and developing organizations successfully towards diversity (Kirton and Greene, 2005; Bagshaw, 2004; Jayne and Dipboye, 2004; Bendick *et al.*, 2001; Wentling and Palma-Rivas, 1998; Kossek *et al.*, 2006). Additionally, the motivation might also have been influenced by the limited knowledge and competence of the theme, since any extensive or basic knowledge was not offered beforehand or during the process on the broader context of managing diversity, organizational development (OD) or culture change.

As noticed, the way in which multiculturalism and diversity were approached, perceived and developed varied slightly (Dass and Parker, 1999; Thomas and Ely, 1996). Because the groups did not mention having covered questions of better utilizing diversity or learning from it, or that the anti-discrimination legislation launched during the study period had impacted the development activities, can reflect the state of readiness of the groups or the organizations towards multiculturalism and diversity issues (Diamante and Giglio, 1994). Signs of the modest importance, low pressures or unawareness of handling them from the point of view of management could be for example some groups' frustration, slow advancement or the lack of management's active involvement and commitment.

Indeed, as there were barely any discussions of existing discriminative practices, barriers or inequalities within organizations, the study findings altogether can indicate that promotion of multiculturalism was in most Finnish organizations approached as from the perspective of reactive diversity management paradigms (resistance, discrimination-and-fairness) which only increase the numbers of immigrants and adapt them (Dass and Parker, 1999; Thomas and Ely, 1996). This was found i.e. that the development work was conducted as an isolated intervention in most of the cases without linkage to the business strategy (DeNisi and Griffin, 2001; Kossek and Lobel, 1996; Tayeb, 1996; Wilson, 1996). However, a few organizations also offered evidence or some signs of the need to address managing diversity issues more comprehensively. Features of more proactive diversity management paradigms (access-and-legitimacy, learning-and-effectiveness) were found in those three organizations that emphasized business goals in their development work and stressed organizational level changes in addition to attitudinal and behaviour changes i.e. in fair employment conditions and induction processes in a more planned and systemic way (Bendick *et al.*, 2001; Dass and Parker, 1999).

In summary, the study supports the earlier research that the benefit of a participative and empowerment-based method is in identifying and solving problems, obtaining new ideas and initiatives (Ulrich, 1997; Simmons, 1995). The findings revealed that developing an organization and its working culture in a Finnish context towards tolerance and multiculturalism with a culture bridge group method, training and development was in spite of its potential approached more as an individual than organizational level change process (Bendick *et al.*, 2001; Wrench, 2001). Especially the attitudes of the majority were perceived as the main problem in improving the climate and in enhancing immigrants' working conditions (Wrench, 2001). That is why, the main target and focus were in increasing general information and awareness about multiculturalism in order to enhance knowledge, common understanding and change attitudes. However, the changing of organizational processes and practises, in this case induction, are evidences or signs of their recognized importance in a cultural change (Bendick *et al.*, 2001; Easley, 2001).

Implications

The study has increased knowledge and offered insights into a participative and empowerment-based diversity development method. An empowering method can be a powerful tool, when its use is supervised and systemic. The participants will need management's support, commitment and guidance for desired outcomes. Uncertainty in the decision-making seems to decrease its effectiveness in promoting diversity issues. Therefore, clear objectives for diversity in the organization and its meaning could form a solid base for development work. It would help the developers to focus their efforts in relation to the weight that is given to diversity and multiculturalism issues. Also the increase in professional skills, in organizational development or professional assistance would increase the effectiveness of the method.

The method can be used as a means to develop an organization towards inclusiveness and in identifying barriers to it. It can help in discovering not only direct, but also indirect and structural discrimination in organizational structures and practices (e.g. in recruitment, selection, rewarding, advancement, training opportunities). It can also assist practitioners in achieving the benefits of different training types and guide in more effectively planning the content and delivery of developing diversity and equality issues. The limitation of the study is that it is conducted among organizations in one country, which are in the early stages of workforce diversification. Further empirical research is suggested to elaborate the method's effectiveness in recognizing the need for organizational change(s) and in their implementation.

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The Global Integration of Diversity Management: A Longitudinal Case Study

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Abstract

Whilst the extant diversity management literature has provided a comprehensive array of theoretical frameworks and empirical studies on how organisations can and have approached the management of a diverse workforce, the same cannot be said about the literature on diversity in an international setting. Indeed, from a diversity management perspective we know surprisingly little about how multinational firms are responding to the increasing globalisation of their workforce. This study seeks to contribute to this under researched area through an in-depth longitudinal case study of TRANSCO, a well-known European MNC, which has been attempting to globally integrate diversity management throughout its worldwide operations. Adopting a Finnish host-country perspective, the study investigates what TRANSCO has been integrating, how it has tried to facilitate this and the challenges that have arisen throughout the process. The results indicate that TRANSCO has committed a considerable amount of resources to the global diversity management integration process, reflected in the myriad of integration mechanisms utilised. In terms of their integration strategy, it was evident that TRANSCO was able to achieve global consistency at the level of diversity philosophy, but was forced to rely on a more multi-domestic approach to implementing diversity policies and practices. The challenges encountered served to highlight the demographic, cultural and institutional embeddedness of diversity management when transferred into a non-Anglo-Saxon host context.

Introduction

Although increasing workforce diversity and its far reaching implications have only been slowly acknowledged amongst multinational firms (Florkowski, 1996), it would now appear to be almost commonplace for MNCs to be planning, implementing or evaluating some form of diversity management initiative, not only in the US but also increasingly on an international scale

(Wentling and Palma-Rivas, 2000). As the proportions of MNCs' workforces located outside the 'home' country become ever greater, the key challenge rests in leveraging the diversity of a global workforce whilst maintaining consistency throughout the organisation (Rosenzweig, 1998). However, attempts by MNCs to internationalise their domestic diversity agendas have not been accompanied with similar endeavours in academic research. Typically retaining a strong national perspective, diversity management has been poorly studied in an international context with extant research serving to reflect the embeddedness of diversity agendas in the US domestic environment (Jones et al., 2000; Ferner et al., 2005). Of the research on diversity management that has been conducted in an international setting, the focus predominantly remains on the activities of US MNCs and is somewhat descriptive in nature and small-scale in design (see e.g. Egan and Bendick, 2003; Wentling and Palma-Rivas, 2000).

To the extent that managing workforce diversity is argued to represent a key issue in the HRM agenda (e.g. Kossek and Lobel, 1996; Kandola and Fullerton, 1998; DeNisi and Griffin, 2001), there has been a counter-intuitive paucity of research in this field appearing in the top HRM journals (Hoobler and Johnson, 2004). Indeed, in the same way that the globalisation of the workforce now requires a critical re-think for the role of the HR function (Roberts et al., 1998), the globalisation of business has also prompted calls for research into the newly espoused discipline of global HRM (e.g. Novicevic and Harvey, 2001; Evans et al., 2002; Sparrow et al., 2004; Brewster and Suutari, 2005).

In light of the above, this paper seeks to contribute to the literature in the following main ways. Firstly, the study serves to close the gap in our current understanding about organisational responses to managing global workforce diversity and global HRM. Secondly, by investigating a European MNC and its Finnish subsidiary, the study expands upon our limited knowledge of how global workforce diversity is approached by non-US MNCs in a host environment characterised by significant institutional, cultural and demographic differences from the previously dominant Anglo-Saxon contexts. Lastly, the adoption of a longitudinal case-study design allows for deeper insights to be gleaned into the dynamic nature of decision-making, interactions and challenges that arise throughout the global integration process.

The first aim of the study seeks to identify which aspects (the design) of diversity management TRANSKO, a well-known European MNC ¹, is globally integrating and what integrating mechanisms (the delivery) they are using to facilitate this. The second aim is to ascertain the challenges TRANSKO has encountered throughout the integration process. This is illustrated through the application of institutional theory, which suggests that obstacles to integration are likely to derive from mismatches in regulatory, normative or cognitive domains (Kostova, 1999).

The following sections discuss the emergence of a global workforce diversity agenda, the ways in which MNCs have approached the implementation of global workforce diversity and how global HRM represents an appropriate starting point for analysis. After describing the study's methodology, the design and delivery of TRANSKO's global diversity management intervention are outlined. The latter sections of the paper identify the institutionally embedded challenges emerging from the efforts at global integration, and conclude by addressing the learning points of the case study.

Diversity management in a global context

Pressures for increased awareness and more effective management of diversity issues are consequences of changes in demographics, the intensification of globalisation and global competition, as well as the mobility of the global workforce (e.g. Iles, 1995; Humphries and Grice, 1995; Konrad, 2003), which have culminated in pressures for organisations to react due to regulatory, ethical, and economic forces (European Commission, 2003). Workforce diversity is argued to be a complex and plural term, comprising a concept which evokes different perceptions in different organisations and cultures without any unitary meaning (Cassell, 2001; Omanovic, 2002), in addition to being society-bound (Caproni, 2005). It has been defined narrowly in terms of demographic factors (e.g. age, gender, race, ethnicity) or, more broadly, as all personal characteristics such as capabilities, personality, sexual orientation, education, religion, culture, language, disability and working style (Cox, 1993; Kossek and Lobel, 1996; Kandola and Fullerton, 1998).

From a business perspective, an organisation's ability to meet future challenges is argued to be multiplied by greater workforce diversity, more specifically through an increased variety of skills, experiences, cultural dimensions and values (Thornhill et al, 2000). This then can be utilised, for example, in multicultural teams, entering new markets and developing new products (Schneider and Barsoux, 2003). Indeed, effectively managing a global workforce is considered to be critical in achieving benefits for business and in sustaining international competitive advantage (Florkowski, 1996). To facilitate this, however, diversity initiatives need to be locally meaningful and avoid biases in local HRM systems and culture (Schneider and Barsoux, 2003).

Research on managing a diverse workforce has so far provided a myriad of frameworks, paradigms and guidelines. Corresponding interventions by management have moved beyond compliance with equality legislation to accepting and valuing differences (Liff, 1997; Cassell, 2001), learning from diversity (Thomas and Ely, 1996), and towards the full and equal utilisation of capabilities through empowerment and inclusion (Cornelius and Bassett-Jones, 2002). Such interventions have subsequently been categorised according to the strategic approach to equality and diversity, the type of organisation or the extent of acculturation (e.g. Cox, 1993; Herriot and Pemberton, 1995; Kirton and Greene, 2005). An alternative classification of interventions can be found in the presentation of four diversity paradigms, namely resistance, discrimination-and-fairness, access-and-legitimacy and learning-and-effectiveness (Thomas and Ely, 1996; Dass and Parker, 1999).

Within the first 'resistance' paradigm, organisations aim to maintain the status quo in the absence of any pressures to increase diversity (Dass and Parker, 1999) and by reproducing inequality without an equal opportunities or diversity policy (Kirton and Greene, 2005). The focus in the second 'discrimination-and-fairness' paradigm is on equal opportunities and fair treatment through legislative actions and by treating everybody the same (Thomas and Ely, 1996), mostly concentrating on recruitment as a means to increase the numbers of individuals belonging to disadvantaged groups (Kandola and Fullerton, 1998). The third 'access-and-legitimacy' paradigm focuses on a search for business benefits (Thomas and Ely, 1996), maximising everybody's potential as a source of competitiveness by creating a culture and

environment of respect (Cox and Blake, 1991; Kandola and Fullerton, 1998; Maxwell et al., 2001). The fourth 'learning-and-effectiveness' paradigm stresses the linkages of diversity with work and employee perspectives, moving from identity-groups towards learning opportunities in order to gain the benefits of diversity (Thomas and Ely, 1996; Dass and Parker, 1999). In this paradigm, egalitarian organisational culture is seen as a means to higher standards of performance (Thomas and Ely, 1996) and in which employees are viewed as valuable resources, strategic assets and as an investment (Ely and Thomas, 2001; Cornelius et al., 2001; Caproni, 2005).

The prerequisites for successful diversity interventions are argued to include changes in individual and organisational attitudes and behaviours, working practices, structures and culture (Tayeb, 1996; Kossek and Lobel, 1996), which are rendered even more crucial when integrating diversity management across borders. In the same way that SIHRM activities have been described as being influenced by several intervening factors, diversity interventions are also purported to be strongly influenced by organisational strategy and pressures from local labour and product markets (Florkowski, 1996). Cross-border implementation of diversity management is not least challenging owing to differences in national cultures, legislation, language, and ethnicity, which affect working habits, labour composition, industrial relations, and cross-border interaction (Tayeb, 2003; Adler, 2002). However, empirical studies on how international firms have confronted such challenges is limited, the key findings of which are now summarised.

Diversity management in MNCs

Whilst empirical evidence concerning how MNCs have approached global diversity management is scant, this research has nevertheless provided insights from which both heterogeneities and homogeneities in (i) strategic approaches, (ii) designs ('what') and (iii) delivery ('how') of global diversity management can be observed.

Strategic approaches In terms of strategic organisational approaches to diversity management, and as models of SIHRM would suggest, MNCs have on the one hand been seen to adopt an approach that reflects their overall

international orientation, strategy and structure. Indeed, Egan and Bendick's (2003) study reveals how both global and multi-domestic strategies have been effectively applied, despite acknowledging that most of the surveyed US MNCs in fact adopted a strongly multi-domestic approach to diversity management. In such cases, corporate headquarters only offered broad guidance, resulting in differentiated diversity activities amongst foreign affiliates. The notable preference for a more multi-domestic approach was argued to be due to firstly, a reluctance to identify global diversity management with American management practices, and secondly, the perceived complexity involved in developing and imposing globally uniform diversity programs. In conclusion, Egan and Bendick argue that insofar as international diversity management efforts need to reflect each firm's strategic objectives and organisational structure, then there is no universal answer to which approach is preferable.

However, recent case-study research has touched on some of the shortcomings of an ethnocentrically-oriented approach to integrating global diversity management policies (Ferner et al., 2004). More specifically, and adopting host-country perspectives, studies conducted by Jones et al. (2000) and Ferner et al. (2005) both provide compelling accounts of how US-derived models of diversity management have been perceived as inappropriate, resulting high levels of culturally- and institutionally-based resistance. In this sense, it could be argued that the global integration of diversity management represents an oxymoron insofar as it cannot be integrated without significant local modification. How MNC's that are pursuing a global business strategy have approached the global management of workforce diversity therefore remains an intriguing yet under researched question.

In line with previous IHRM models, and the approach of this study, Wentling and Palma-Rivas (2000) distinguish between the approaches of US MNCs in terms of 'macrolevel' activities which comprise the planning, goal-setting and prioritising at corporate headquarters, and 'microlevel' activities whereby host subsidiary managers implement their own version of diversity initiatives which reflect their subsidiary-specific needs.

Designs It has been empirically shown that whilst individual components of diversity initiatives in MNCs can and do vary, there is often a close relationship

between domestic and international agendas. For instance, Egan and Bendick (2003) attest to the similarities of domestic and international diversity agendas in listing four common features. These include, a broad definition of diversity which incorporates the notion of 'inclusion', motives for diversity management centring on the 'business case', administrative structures used to facilitate diversity, and the integration of diversity initiatives into wider organisational change programs. Wentling and Palma-Rivas (2000) report a similar relationship, identifying the shared features of firstly, the inclusion and full utilisation of people as guiding principles, secondly the development of understanding and appreciation for cultural differences, and thirdly the adaptation of products and services to satisfy diverse customer needs. Ferner et al. (2005) find further evidence that global diversity structures tend to develop out of existing domestic structures. Whilst they also acknowledge the broad definition of diversity, they also go on to identify the setting and monitoring of targets as well as the regular collection of diversity metrics, sometimes related to the performance management process.

Nevertheless, the collective similarities between domestic and international diversity initiative designs identified above still arguably represent distinctly US approaches to conceptualising and managing the diversity of a global workforce. Within the European context, a recent analysis of corporate websites of 241 European MNCs (Singh and Point, 2004) reveals that there are considerable differences in strategic responses to workforce diversity with disappointingly few references to managing diversity in home countries other than the UK. Furthermore, the evidence highlights a certain degree of heterogeneity insofar as diversity was found to be constructed differently across European MNCs in terms of its definitions and dimensions (Point and Singh, 2003). The extent to which these findings represent more corporate rhetoric than managerial reality, however, remains largely unknown and can only be effectively corroborated through further attempts at systematic empirical research.

Delivery The growing scale and complexity of diversity management programs within MNCs would also seem to be reflected in the increasing sophistication of organisational mechanisms being applied to implement them. Indeed, as cited in Egan and Bendick (2003), a multiplicity of 'administrative

structures' have been reported in MNC attempts to internationalise diversity management. One of the most common mechanisms is that of a 'diversity council' which typically serves as an overarching taskforce, often at the corporate or global level, with the mandate of leading diversity efforts as well as providing guidance and support where necessary. Additionally, the significance attached to managing diversity issues often manifests itself in the creation of independent executive posts such as 'Chief Diversity Officer' or 'Diversity Coordinator'. These hierarchical mechanisms are also supported by organisation-wide training interventions. Whilst the emphasis is invariably on managerial awareness, compulsory employee-level courses are not uncommon. Lastly, the formation of 'affinity groups' (e.g. for women or ethnic minority groups) and broader 'diversity networks' are used in order to mitigate a predominantly top-down approach to diversity management and thus act as vehicles for employees' voices to be heard. What is less understood, however, is how these integration mechanisms are applied, often in combination, in foreign subsidiary settings and their perceived levels of effectiveness.

Global HRM perspectives on diversity management in MNCs

It is argued here that the study of global diversity management can be informed by the HRM global integration-national differentiation dilemma that characterises so much of the SIHRM literature and which is captured in the notion of global HRM. The way in which this theoretical approach has been applied in the present study is illustrated in Figure 1 and is discussed next.

Whilst academic contributions have produced theoretical and practical justifications for the labelling of global HRM (see e.g. Novicevic and Harvey, 2001; Sparrow et al., 2004; Brewster and Suutari, 2005), the subsequent research agendas and practical implications collectively fail to acknowledge the significance of managing global workforce diversity. Its conspicuous absence might be partly explained by the contention over whether diversity management is solely an HR issue. However the dearth of global diversity management research in the general management literature merely serves to highlight its overall under-representation in academic discourse. Nevertheless, the strong presence of domestically-oriented diversity research in the HRM literature, together with the rich tapestry of conceptual models, theories and

empirical evidence in the SIHRM literature, render global HRM a constructive starting point from which to discuss issues relating to the global integration of diversity management.

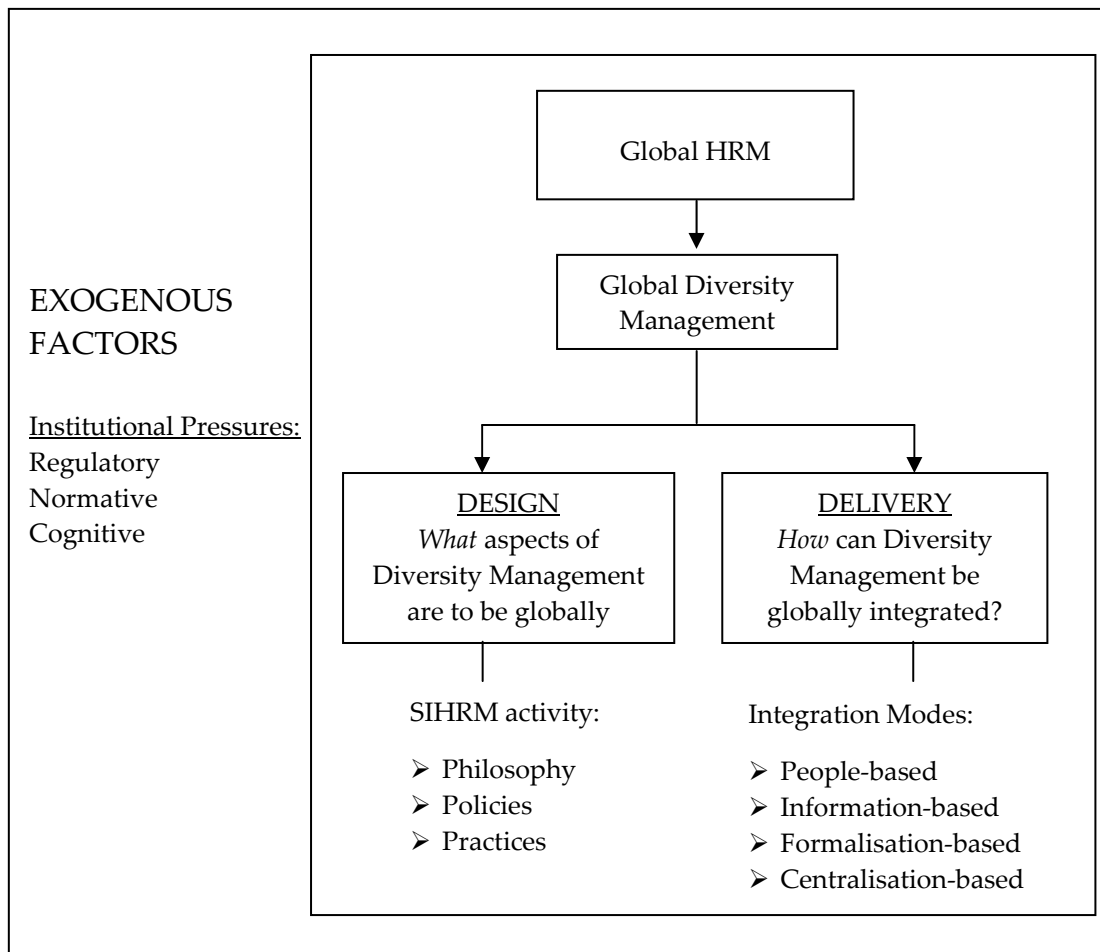


Figure 1. Theoretical Approach to TRANSCO’s Global Diversity Management Integration

SIHRM activities and integration modes

Insofar as global diversity management is argued to represent a feature of an MNC’s overall global HRM, the global integration of diversity management can essentially be broken down into key strategic decisions regarding what to integrate and how to facilitate it. It is at this juncture that the various

organisational levels of diversity practices and the selection of appropriate integrating mechanisms become key considerations.

Since HRM falls into the category of a context- and culture-specific resource, as opposed to it possessing more universal characteristics, its successful transfer is argued to be problematic but not impossible (Tayeb, 1998). However, it has been widely argued that the internal differentiation of the HR function should lead to conceptualisations of it comprising distinctly different HRM practices, of which diversity management is one, that will vary in terms of their susceptibility to be globally standardised or locally adapted (e.g. Rosenzweig and Nohria, 1994; Lu and Björkman, 1997). In this sense, some argue that the integration of HRM is less about opting for total standardisation or localisation, but is rather a choice about which practices and how much (see e.g. Bae et al., 1998). A further important distinction about HRM practices such as diversity management is the organisational levels in which they reside. Schuler et al. (1993) suggest that SIHRM activities manifest themselves at multiple organisational levels, whereby an HRM 'philosophy' expresses how to treat people regardless of location, HRM 'policies' establish guidelines and the meaning of the philosophy, and HRM 'practices' establish explicit roles for employees. The rationale behind this classification, which has since been supported empirically, is that HRM practices are more prone to local cultural influences and hence adaptation than higher-order HRM policies and philosophies (Tayeb, 1998).

With regard to how global HR integration might be facilitated, a wide variety of organisational mechanisms have been documented in the literature, including expatriation (e.g. Björkman and Lu, 2001; Cerdin, 2003), internal benchmarking (Martin and Beaumont, 1998), global expertise networks and HR centres of excellence (Sparrow et al., 2004), as well as HR information systems (e.g. Hannon et al., 1996; Ruta, 2005). Kim et al. (2003) remind us, however, that MNCs rarely utilise only one method, but often use multiple integrating mechanisms simultaneously and with different levels of intensity in order to control and coordinate business functions on a global scale. Accordingly, they provide a classification of integration modes at the disposal of organisations, namely people-based, information-based, formalisation-based and centralization-based. Based on an empirical study into the global integration of

three different business functions, they conclude that whilst each business function has a distinctive set of preferred integrating modes, people-based and information-based modes generally emerge as being most effective. However, it is less clear which modes would be most appropriate in integrating HRM and, more specifically, in facilitating the global integration of diversity management.

Institutional pressures on global HRM integration

Research within the SIHRM discipline has studied the composition of MNCs' HRM practices in foreign subsidiaries and has drawn on a broad range of organisational theories in explaining the findings. In essence, such studies have illustrated not only the dynamic interplay of exogenous and endogenous factors, but also the contingent and multi-disciplinary perspectives being applied to explore how globalisation is influencing the transferability of HRM practices (Quintanilla and Ferner, 2003). An increasingly common denominator in these multi-disciplinary approaches is the explanations offered by institutional theory. Indeed, such research in the field of SIHRM has focused on the dual institutional forces of parent ('coercive') pressures for and host ('mimetic') resistance against global HR integration, typically revealing how the overseas operations of MNCs differ systematically in their composition of HRM practices (see e.g. Rosenzweig and Nohria, 1994; Bae et al., 1998; Björkman and Lu, 2001).

Recent comparative approaches to institutional theory have introduced the concept of 'institutional distance' as a critical variable in determining the transferability of organisational practices from one national context to another (Kostova and Zaheer, 1999; Kostova and Roth, 2002). As a key proponent of this approach, Kostova (1999) argues that differences in 'regulatory' (e.g. laws and regulations), 'normative' (e.g. values and norms), and 'cognitive' (e.g. interpretations and frames of thought) institutions, will affect the degree of transfer success between two countries. This, it is argued here, represents a particularly appropriate framework from which to study the global integration of diversity management in view of its deep societal and institutional embeddedness (Schneider and Barsoux, 2003; Ferner et al., 2005).

In essence, our knowledge about how MNCs are responding to the internationalisation of their workforces and the new global diversity agenda remains weak in comparison to our understanding of similar issues at the domestic level. More specifically, it is unclear whether global integration strategies that characterise the newly espoused global HRM are also feasible in managing diversity given its demographic, cultural and institutional embeddedness in different national contexts.

Methodology

This paper adopts a single in-depth case-study design. In terms of justification, the use of exploratory research methods has been advocated in HRM fields such as diversity management due to its relative infancy (Hoobler and Johnson, 2004). More specifically, Martin and Beaumont (1999) assert that qualitative research is a particularly constructive approach in embellishing on the insights from the predominantly quantitatively-based IHRM typologies. Moreover, the single case-study method is instructive when the issue of contextuality, crucial to studies on subsidiary-headquarters relations, is of key importance in interpreting the data (Yin, 1994).

The single case-study approach has facilitated the use of in-depth longitudinal data, which is less feasible in multiple case-study designs. The data were collected over a two-year period. This has enabled a closer examination of developments, changes, barriers and accomplishments in TRANSCO's global management of diversity, all of which have been highlighted as lacking in previous studies of this kind (Wentling and Palma-Rivas, 2000). In order to mitigate the potential rhetorical championing of the diversity management agenda and subsequent over-optimism regarding its progress, the study also acknowledges the need for a more objective balance by including multiple perspectives (*ibid*). This was achieved partly through individual, 'key informant' interviews (Miles and Huberman, 1994), and partly via the use of a focus group interview. In comparison to other qualitative methods, the unique strength of focus group interviews which lay behind its selection is the interaction facilitated through the group discussion which allows for more generalisable data regarding experiences, views and the levels of agreement and disagreement between respondents (Morgan, 1996).

The data sources and methods of collection are summarised in Table 1. A total of 12 individual, semi-structured interviews were conducted. Face-to-face interviews were carried out with two local respondents (Finnish Diversity Coordinator, who changed during the second year, and the HR Manager) and one 'regional' country representative (European Diversity Coordinator). Interviews lasted between 60 to 90 minutes, covered issues relating to the methods and challenges of integrating diversity management, and broadly adopted the same structure for all interviews. One focus group interview was conducted towards the end of the first year in order to ascertain the thoughts and experiences of different groups and included the Finnish CEO, the Area Business Manager, the Diversity Coordinator and a Line Manager. The group interview lasted 80 minutes and was organised around the same semi-structured themes as in the individual interviews. Lastly, the above data collection was supplemented by access to public and confidential company documentation, including integration plans, attitude surveys and results as well as diversity evaluation tools.

All interview transcripts were literated verbatim, coded and then analysed both chronologically and thematically in order to isolate the key issues pertaining to the case history and the subsequent developments in diversity management integration. The validity of the data was addressed through the verification and further clarification of interview transcripts by the respondents, and through the approval of the final report by the key informants.

Table 1. Data sources and collection

| Source | Method |
|--|---|
| Diversity Coordinator (Finnish unit, female) | 6 semi-structured interviews at even intervals over 2 years |
| HR Manager (Finnish unit, female) | 5 semi-structured interviews at even intervals over 2 years |
| European Diversity Coordinator (Regional HQ, female) | 1 semi-structured interview in the middle of year 1 |
| CEO (Finnish unit, male) | Themed focus group interview at the end of year 1 |
| Area Business Manager (Finnish unit, male) | |
| Line Manager (Finnish unit, male) | |
| Diversity Coordinator (Finnish unit, female) | Documentary review and content analysis |
| TRANSCO documentation: | |
| ▪ Diversity & Inclusiveness (D&I) policy and framework | |
| ▪ Corporate and Finnish unit D&I integration plans and achievements (2003-05) | |
| ▪ Surveys and results: D&I survey, leadership self- and 360° appraisals (2003) | |
| ▪ Evaluation tools (intranet) | |
| ▪ Harassment & Discrimination policy | |
| ▪ D&I Leadership Behaviours scorecard | |

Introduction to TRANSCO

TRANSCO is a well-known European MNC, operating in over 100 countries and employing more than 100,000 people. Having developed into a large and diversified MNC with operations widely dispersed on a global scale, TRANSCO found that its size and structure meant that it had become a collection of semi-autonomous subsidiaries who, in turn, knew too little about what each other were doing. The weaknesses of this somewhat unintentional multi-domestic strategy came to a head in the mid 1990's and prompted a dramatic organisational restructuring effort whereby TRANSCO consciously tried to become more 'global' both in its streamlining of core businesses and in its 'network' approach to managing its foreign operations. The restructuring was justified as an attempt to achieve greater synergies and organisational

control as well as for financial and sustainability reasons. Accordingly, previously decentralised decisions about a range of issues became increasingly centralised at corporate and regional levels. However, whilst this global approach has been further pursued through a common IT infrastructure and the tighter strategic alignment of business functions, the recent drive towards global diversity management is putting into question the suitability of a global approach.

Originally conceived back in 1997, the planning and roll-out of TRANSCO's global integration of diversity has been scheduled to take place over a 10-year period, representing an integral part of their overall corporate strategy. Indeed, the amount of time and resources TRANSCO has dedicated to global diversity management from a comparatively early stage, has led to certain industry peers regarding TRANSCO as a kind of pioneer in this area. As one of the smallest of their foreign operations, TRANSCO Finland was established in 1911 and currently employs over 1,700 people across 400 service outlets. Along with several other select European operations, TRANSCO Finland was included in the first wave of diversity integration which officially began in early 2003. The present case study reports on the activities, progress and challenges that have taken place within the first two years.

The Finnish host context and workforce diversity

When looking at the Finnish national context for diversity, one can draw two quite contrasting conclusions. On the one hand, Finland appears to be a model example of the Nordic welfare state system in which political ideology and legislative infrastructure work together in successfully promoting the equality of its societal members. The legislative foundations of equality and diversity are grounded in the Constitution of Finland (revised in 1999) according to which everyone is equal before the law. In turn, this is complemented by the Penal Code, the Employment Contracts Act (55/2001), the Act on Equality between Women and Men (609/1986, 2005) and the Equality Act (21/2004), which collectively prohibit direct and indirect discrimination in working life on the grounds of gender, national or ethnic origin, religion, age, health, disability, sexual orientation, belief or opinion.

Despite the persistence of some income inequality and a general lack of women in business leadership and management (Hearn and Piekkari, 2005), evidence of a positive legislative effect on working life is clearly visible in gender equality. Having been the first country to give women full political rights, in Finland today it is a legal requirement to have a minimum of 40 percent male and female representation on all state and municipal bodies, and organisations employing over 30 people are legally required to have a gender equality plan. One notable, cumulative result has been Finland's recent ranking as having the world's fifth smallest gender gap based on a range economic, political, educational, health and well-being related indicators (Lopez-Claros and Zahidi, 2005).

On the other hand, however, it would seem that the progress being made in some areas has not been accompanied with similar developments in others, particularly in the 'emerging' areas of ethnicity and sexual orientation. In a report on Finland, the European Commission against Racism and Intolerance (ECRI) noted that despite increased provisions against ethnic minority discrimination in working life, these measures were deemed to be under-utilised in view of the 'daily life' occurrence of such discrimination (ECRI, 2002). This criticism was largely based on the results of a study on immigrant experiences, which indicated frequent accounts of discrimination that were mostly going unreported (Jasinskaja-Lahti et al., 2002). With regard to sexual orientation, one of few major studies that exist on the subject reveals that half of all lesbian, gay and bisexual employees in Finland "consume a considerable amount of energy to hide or cover up their sexual orientation or gender identity" (2004: 256) from all or most of their co-workers with 13 percent unaware of the anti-discrimination legislation dating back to 1995 (Lehtonen and Mustola, 2004).

One possible reason behind Finland's perceived need to catch up with the rest of Europe in these areas could be its relative cultural homogeneity and thus lack of multicultural experience, where the clear majority has belonged to the same race (Finnish), the same religion (Lutheran) and spoken the same language (Finnish) (Alho et al., 1989). However, these demographics in Finland, as in many other Western countries, are changing. Most notably, the domestic labour market is declining as a result of an aging population and is being partly offset

by the employment of an increasingly foreign-based workforce (Forsander, 2002). Whilst this has prompted a recent (2005) government-led initiative to support workplace multiculturalism, Finnish domestic multiculturalism still remains low both in absolute and relative terms, with the amount of foreign citizens representing only two percent, of which an estimated 28 percent are unemployed, in a population totalling five million (Employment Report, 2004). Although recent research indicates that favourable attitudes towards immigrants in Finland have increased consistently since the recession of 1993 (Jaakola, 2005), the Finnish workplace remains an intriguing context for diversity with world class equality standards in some areas, but others that are in need of clearly more development.

Results

TRANSCO's global diversity management design

In connection with the first aim of the study, Schuler et al.'s (1993) distinction between three organisational levels of strategic IHRM activities (philosophy, policy, practice) are applied in reporting what aspects of its diversity management program TRANSCO is globally integrating.

Diversity management 'philosophy' Defined as expressions of how to treat and value people (Schuler, 1992), the diversity management philosophy at TRANSCO is represented through its Global Standard, which has been communicated as a new global 'must.' TRANSCO's global diversity 'philosophy' comprises statements on the values and core commitments to diversity and inclusiveness, laying out its intent, business case, as well as the expected organisational outcomes and individual behaviours. The Standard is explicitly required to be globally standardised and the wording translated directly without any local modifications, except where legal limitations apply. As described by the European Regional Diversity Coordinator, *"the Standard you do not change. There are no choices about that. As long as they [foreign subsidiaries] apply that Standard [...], they can add to it, but we tell them to be very selective about what they add [...]."* Throughout the global integration process, however, it became noticeable that perceptions within the Finnish subsidiary differed slightly, exemplified by the view of the local Diversity Coordinator, *"at*

the strategy level there is no freedom to move since everyone is a TRANSCO person," compared to that of the HR Manager, "even though this is now a tight Standard, this is also such a standard, which gives a little, so to say, room for feelings."

It was also noticeable during integration that the espoused philosophy of diversity management was shifting its emphasis towards the notion of inclusiveness. Indeed, early on it was acknowledged that diversity management was being perceived as an external, and largely Anglo-Saxon, intervention concerned only with the narrower issues of gender, nationality and the use of expatriates. Subsequently, TRANSCO has heavily promoted the inclusiveness component of the philosophy in order to broaden employees' and managers' perspectives about where discrimination might occur in the workplace.

Diversity management 'policies' With the purpose of establishing guidelines for action on people-related business issues and HR programs (Schuler, 1992), TRANSCO has employed the use of a top-down Global Policy Framework to provide more detailed provisions for the attainment of the Global Standard. Within the Policy guidelines are given about, for example, the identification and monitoring of common performance criteria, the setting of clear targets and plans as well as the development of appropriate leadership behaviours. More specifically, the Policy has assumed a key role in globally integrating organisation-wide diversity administrative infrastructures. The Policy and subsequent plans, however, are implemented regionally and at local subsidiary level. This balance between global standardisation and local adaptation at the policy level was clearly evident in the implementation of a new Harassment and Discrimination (H&D) policy, as summarised by the Finnish HR Manager,

"We will implement it here locally in a way that we see best. But the H&D policy is the same. The guide is translated exactly as it is. It needs to be the same all over the world, but practical measures can vary. [...] We asked for an extension since we wanted to explain it face-to-face and it was accepted, even though it did not fit with their global schedule. They are flexible."

This has meant that whilst the type of diversity management targets (e.g. proportion of women and expatriates in managerial positions, graduate quotas), annual plans and time schedules are determined centrally and applied

on a global basis, the actual targets and means of policy implementation are routinely modified to reflect local legislative, demographic and business needs.

Diversity management 'practices' Insofar as practices refer to motivating needed role behaviours which have direct implications for employees (Schuler, 1992), the practices associated with diversity management assumed a combination of both globally standardised and locally customised forms. At the general HRM practice level, for example, it appeared that few efforts at global integration have been made, reflected in the HR Manager's synopsis that *"diversity and inclusiveness is not included in writing in HRM processes nor is written guidance given, but it is one point of reference; a kind of new lens within each HR practice."* However, the launch of new globally standardised forms for conducting appraisals, together with the universal integration of diversity criteria reflected in reward and bonus schemes suggest that traces of a global approach at the practice level were also evident. A further example of this global and local combination is training, in that certain courses have been standardised (e.g. diversity awareness training for managers) whereas others have been locally adapted to include a diversity perspective.

TRANSCO's global diversity management delivery

Adopting the classification of integration modes proposed by Kim et al. (2003), the ways in which TRANSCO have attempted to globally integrate diversity management are outlined with a more detailed listing in Table 2.

People-based integration Representing the first of the four integrating modes, people-based integration refers to measures such as the transfer of managers, meetings, training and integrators which are argued to be most effective in situations where information and knowledge are best conveyed face-to-face (Kim et al., 2003). In TRANSCO Finland's case, expatriates from corporate headquarters are not used, however the appointment of local Diversity Coordinators is used as an alternative. With full working responsibility for the integration of diversity into the local subsidiary, the Finnish Diversity Coordinator is actively involved in meetings with other Diversity Coordinators to discuss ideas and to develop informal benchmarks. These discussions and other corporate communications are then filtered into local management team,

HR and departmental meetings. Additionally, all local line managers are brought to the European headquarters for centrally delivered training in the form of a one-day 'awareness' session and some of them to a three-day 'intensive' diversity course. From a control perspective, a further 'personal' form of integration is the often-cited monitoring function of 'Diversity Auditors'. These audits are unplanned and are used as a power resource to motivate local integration efforts. As the HR Manager explains,

"...they [European HQ] ask whether you have done such and such. It is then quite possible that one day the Auditors might arrive, who want to see what we have done and if we really have these plans in place."

The people-based integrating mechanisms are also revealing in the identification of who has been truly leading local diversity efforts, in particular the role of HRM. Reflected in TRANSCO's overall approach to global diversity management and the employment of Coordinators, diversity and inclusiveness is not considered to be HR-owned but driven by the whole business. In this sense, and since diversity work largely takes place independently from the HR function, the local HR Manager perceives its role instead as "*shaping*" and "*supporting*" diversity and, more generally, in facilitating an appropriate culture change. Accordingly, HRM practices are seen more as targets for diversity integration than the key forces behind it.

Table 2. Diversity Management Integration Mechanisms* at TRANSCO Finland

| <i>People-based</i> | <i>Information-based</i> | <i>Formalisation-based</i> | <i>Centralisation-based</i> |
|---|--|--|--|
| <ul style="list-style-type: none"> ▪ Local 'Diversity Coordinators' ▪ Benchmarking amongst Diversity Coordinators ▪ Diversity training courses <ul style="list-style-type: none"> - Managerial-level and regionally standardised ▪ 'Diversity Auditors' ▪ Development and appraisal discussions at managerial level ▪ Local voluntary workshop sessions | <ul style="list-style-type: none"> ▪ Corporate Internet <ul style="list-style-type: none"> - Stakeholder communication - D&I publications, news and progress ▪ Company Intranet <ul style="list-style-type: none"> - Evaluation tools - Database of survey results - E-learning material - Diversity 'games' and quizzes ▪ Annual corporate, regional and local diversity plans | <ul style="list-style-type: none"> ▪ D&I Standard (mission & values) ▪ D&I Policy Framework ▪ D&I integration into existing organisational policies (e.g. Harassment & Discrimination) ▪ 'Barometer'-style survey on working environment ▪ D&I-focused survey ▪ Leadership self- and 360° appraisals ▪ Diversity criteria on organisational and individual balanced scorecards ▪ Diversity criteria added to reward and bonus schemes ▪ Signing of Annual Diversity Assurance Statements ▪ Diversity issues made compulsory in all meeting agendas | <ul style="list-style-type: none"> ▪ Diversity Council (corporate level) ▪ Diversity Steering Group (corporate level) ▪ Regional HQ ▪ Local 'Diversity Coordinators' |

* Taken from Kim *et al.*'s (2003) Global Integration Modes

Information-based integration Involving the international flow of information through impersonal communication systems, information-based integration is argued to be most effective when there is a great need to provide information quickly, or when large volumes of information can be easily analysed and interpreted without extensive face-to-face communication (Kim et al., 2003). In

TRANSCO this form of integration is mainly applied as a reference point to agreed policies and tools and as a channel for communication. The Internet is used to publish TRANSCO's global values and commitment to managing diversity, including its progress, for the benefit of its diverse set of stakeholders. The main corporate website also extends further to include detailed supplementary information regarding their general approach to diversity issues and the business- and non-business related drivers for managing global workforce diversity. The internal corporate intranet is also extensively used in storing large volumes of basic diversity-related information, training material, organisational surveys and leadership self assessment tools. The Diversity Coordinator acknowledges the effectiveness of such systems in communicating changes quickly, but became increasingly critical of its lack of translation into the Finnish language and by the end of the research period regarded the intranet as being insufficient in integrating diversity given the general lack of incentives for employees to refer to it. Argued to be somewhat more effective was the annual distribution of corporate, regional and local diversity plans which helped to illustrate the progress that should have been made and the targets for the coming year.

Formalisation-based integration Kim et al. (2003) refer to this mode of integration as comprising the standardisation of work procedures, rules, policies, and manuals, which are likely to be most effective when the process of conducting specific activities can be codified into a set of identifiable procedures, rules and formulae. In addition to the philosophy, policies and practices already mentioned in the design of their global diversity management program, TRANSCO has formalised the diversity agenda through the operationalisation and strict application of performance measures in conjunction with organisational and individual tools of assessment. Starting from the annual regional diversity plans, diversity and inclusiveness performance criteria are formally integrated into company-level balanced scorecards and the scorecards of individual managers. This has meant that diversity management has come to represent a feature of subsequent decisions about individual rewards and bonuses. Furthermore, 'barometer'-type surveys are carried out both organisation-wide and on an individual basis in the form of general working environment surveys, diversity and inclusiveness surveys, leadership self-assessments and 360-degree appraisals. Indeed, TRANSCO's

assurance approach to diversity integration is reflected not only in the wide use of formalised measures and Diversity Auditors, but also in the process whereby local CEO's around the world have to sign an annual Diversity Assurance Letter, which is used to confirm how far subsidiaries have come in working towards agreed regional targets.

Centralisation-based integration Characterised by the centralisation of decision-making authority at higher levels where there exists a more complete understanding of various units and activities around the world, this mode of integration is suggested to be most effective in integrating geographically dispersed units in achieving the benefits of global scale, scope and learning (Kim et al., 2003). As indicated earlier, the degree of centralisation is higher at the level 'philosophy' than at the 'policy' and 'practice' levels. Similarly, the setting of targets and the drawing up of plans are centrally determined by the corporate-level Diversity Council and Diversity 'Steering Group' with implementation allowing the most room for decentralised decision-making. With regard to implementation, however, it was stated that whilst support and guidance was available from corporate and regional headquarters, it was not generally needed. This combination of flexibility and autonomy in executing plans was explained to derive from a relationship of mutual trust between the local Finnish subsidiary and the parent, which has its roots in several decades of working in a previously decentralised organisational structure. From this perspective, the Finnish CEO stressed that in addition to accomplishing the obligatory annual measures within the given frames, it has also been important to find the balance between centralisation and decentralisation, emphasising everybody's own ability to contribute to diversity management implementation. The subsequent 'arms length' approach that was seen to be used by headquarters often meant that feedback, both positive and negative, was minimal.

TRANSCO's global diversity management challenges

In order to highlight the types of challenges that TRANSCO faced throughout the global integration process, Kostova's (1999) institutional framework of 'regulatory' (e.g. laws and regulations), 'normative' (e.g. values and norms),

and 'cognitive' (e.g. interpretations and frames of thought) pressures is applied as an explanatory framework.

With regards to challenges in the regulatory environment, TRANSCO has been cautious from the outset in its approach to globally integrating diversity management. Indeed, their philosophy explicitly allows for variations to occur in line with the laws of the applicable host country. Accordingly, there were no identifiable cases where TRANSCO's global integration efforts have met 'regulatory' obstacles. This is also reflected in how union representatives in the Finnish subsidiary have been relatively silent throughout the diversity integration process, despite some short-lived defensive reactions at the beginning when discussions turned to the employment of immigrants.

The most significant challenges were in fact found to exist in the domains of 'normative' and 'cognitive' adjustments to the notion and practice of diversity and inclusiveness. For example, one key challenge that was seen to confront Finnish management and employees at the beginning was the broad scope of diversity which had previously not been visible or properly acknowledged. This was reflected in comments such as, *"we have done well when comparing, for example, the positions of men and women in different salary categories. We have more young career women than men. But they are all Finns, which we need to think about"* (HR Manager).

In general, however, the broad remit that diversity and inclusiveness was shown to cover by TRANSCO, made typically reserved Finnish people begin to feel noticeably uncomfortable. As noted by the Diversity Coordinator, *"when they see how significant the issue is; that it concerns everyday life between people, they become embarrassed, shy."* Similarly, middle managers started to voice concerns about whether these types of discussions would require them to *"reveal who we really are"* to their colleagues and subordinates. The questioning of people's values and norms regarding diversity and inequality was also shown to be a painful experience for some Finnish organisational members. The Diversity Coordinator recalls a certain 'landmark' team meeting a year into the integration process in which issues of inequality were discussed, *"the atmosphere was unique. The subjects of discussion were unique. The inner dynamics of that team were discussed openly [...]. It had people crying. And that was certainly unique in that*

department." In many respects, however, these kinds of reactions were not only considered to be a challenge, but also as a necessary process and a positive sign that Finnish employees' were beginning to better understand the meanings behind diversity and inclusiveness and, crucially, were mustering up the courage to discuss them.

Nevertheless, even after two years of fairly intensive integration efforts it was still generally felt that the magnitude of normative adjustments required to openly discuss diversity meant that the Finnish subsidiary considered itself not ready to embrace everything that was being suggested by regional headquarters. For example, the advocated use of affinity groups was regarded as inappropriate and were subsequently not used by the Finnish subsidiary. It was argued that they represented a culture-specific tool reflecting Anglo-Saxon assumptions that everybody is ready and willing to discuss issues such as homosexuality with others in a group. Although some progress had been made, the Diversity Coordinator was still adamant that if affinity groups were offered in Finland that few would sign up.

In terms of cognitive-based barriers to integration, the first key challenge identified was to change the dominant perception that 'everything is fine here'. To the extent that employees and managers were only referring to surface-level evidence, the diversity efforts at the Finnish subsidiary initially focused on going deeper into diversity issues. This approach of trying to make diversity issues more conscious in the minds of individuals (e.g. through surveys and keeping diversity on meeting agendas) was already starting to show signs of success after the first year of integration, for example, "*people now talk about D&I in unexpected situations, [...] by stating that 'from a D&I perspective the matter could be...'*" (Diversity Coordinator).

A further cognitively-related challenge was the individual interpretation of diversity rhetoric into meaningful organisational practices and behaviours. Indeed, a major concern for the Finnish CEO was that diversity tools and templates which were designed to enable a cognitive and behavioural shift in individuals were also serving to increase the level of bureaucracy. The uncertainty surrounding how to interpret the implications of workforce diversity was also reflected in the common usage of metaphors amongst

respondents when speaking about diversity. In the group interview, the Area Manager additionally expressed scepticism about certain male colleagues in his business unit ever attaining the required cognitive abilities needed to embrace workforce diversity, stating “...it is more challenging for the Operations Managers, unlike HR Managers, to be able to handle issues of the [human] ‘spiritual’ kind.”

In general, however, a key challenge was perceived to be the constant battle to win over the hearts and minds of local management. A factor that has rendered this a particularly significant challenge has been the absence of appropriate ‘hard’ targets at the local subsidiary level. Although there are global targets regarding the number of expatriates in the highest management positions and the proportion of women in senior executive posts, neither of these have been relevant in Finland since the CEO has always been Finnish and the ‘senior executive posts’ for women do not exist in the comparatively small Finnish subsidiary. Instead, the local Diversity Coordinator and HR Manager have devised their own targets which received only passive agreement from regional headquarters. The absence of appropriate measures has thus led local Finnish management to question why they should do anything above what is officially required. As a result, the Diversity Coordinator and HR Manager have experienced difficulties in enforcing diversity management without any power resources at their disposal. Instead, the case for diversity has been presented emotively as ‘the right thing to do’ on a personal level.

Discussion and conclusion

The present case study has investigated how a well-known European MNC has approached global workforce diversity through the integration of diversity management amongst its foreign subsidiaries. The aims of the study were firstly, to identify what (the design) TRANSCO is globally integrating and how (the delivery) it has facilitated this, and secondly, to ascertain the challenges TRANSCO has encountered throughout the integration process.

Longitudinal perspectives

The considerable amount of time, financial and human resources TRANSCO has dedicated to the integration process over the two-year study is testament to the significance of global workforce diversity as a key emerging theme in

MNCs (Florkowski, 1996). The present study has adopted a longitudinal perspective which has revealed how TRANSCO initiated the integration process through a large 'push' involving the use of multiple integrating mechanisms and rigorous follow-up procedures. The year second, however, has been characterised by incremental reductions in integration efforts, both intentionally and unintentionally, under the premise that diversity management should become everybody's responsibility, that is to say not just that of Diversity Coordinators, HR or Line Managers. By the end of the study, the general feeling was that TRANSCO Finland has been a 'star pupil' in the implementation of policies and plans, but still remains some way off the desired ingrained behaviours and practical application of diversity and inclusiveness principles. In this sense, whilst it has been demonstrated that TRANSCO Finland has moved beyond compliance with equality legislation towards the stage of valuing differences (Liff, 1997; Cassell, 2001) and of a willingness to learn from diversity (Thomas and Ely, 1996), it has made comparatively smaller steps in changing individual attitudes and behaviours, and culture (Tayeb, 1996; Kossek and Lobel, 1996). This would collectively seem to imply that TRANSCO Finland finds itself entering the 'access-and-legitimacy' paradigm with evidence to suggest that, with more time, some inroads could be made into the paradigm of 'learning-and-effectiveness' (Thomas and Ely, 1996; Dass and Parker, 1999).

Whilst the domestic diversity agenda has heavily emphasised the interventions of the HR function (e.g. Kossek and Lobel, 1996; Kandola and Fullerton, 1998), it would appear that TRANSCO's global diversity management responsibilities and tasks are not owned by HR in the same way. Indeed, similar to the findings in Wentling and Palma-Rivas' (2000) study on diversity management in MNCs, the role of HRM that TRANSCO has adopted is more supportive and a target of integration than a driving force behind it.

Global diversity management design

The present study confirms that one of the key dilemmas occupying the thoughts of MNCs is the ability to leverage the diversity of a global workforce whilst maintaining organisation-wide consistency (Rosenzweig, 1998). This was not least evident in the design of TRANSCO's integration process where there

were clear differences in pressures for standardisation according to the various levels of diversity management activities. Indeed, the case-study evidence largely supports the assertion that HRM practices are more prone to cultural and institutional influences and hence adaptation than HRM activities at the policy and philosophy levels (Schuler et al., 1993; Tayeb, 1998). TRANSCO's blend of standardised and locally adapted practices would also seem to support previous SIHRM arguments for conceptualising the HR function as internally differentiated whereby individual practices, such as diversity management, are more or less susceptible to global integration (Lu and Björkman, 1997; Bae et al., 1998).

Global diversity management delivery

With regard to the delivery of global diversity management integration, TRANSCO has employed a myriad of mutually supporting integrating mechanisms, which has been argued elsewhere as helping to facilitate greater acceptance of diversity (Gilbert and Ivancevich, 2000). Since successful diversity interventions require changes in individual and organisational attitudes and behaviours (Tayeb, 1996; Kossek and Lobel, 1996), it could be assumed that people-based integration modes would be most effective in their capacity to integrate knowledge face-to-face (Kim et al., 2003). However, this form of global integration was not extensively used by TRANSCO (see Table 2). Interestingly, TRANSCO's integrating activities were much more visible in the array of formalisation-based mechanisms. To the extent that this integration mode is argued to be most effective when specific activities can be codified into identifiable rules and procedures (ibid), this also highlights TRANSCO's fundamental approach that diversity management integration is an assurance process. This assurance approach, explicitly referred to as such, was subsequently reflected in the widespread usage of hard measures and audit-style progress reports.

On the one hand, this formalisation-based approach is questionable in its assumption that an organisation can codify and measure changes in individual perceptions about diversity and inclusiveness. On the other hand, however, TRANSCO's assurance approach, supported by the employment of dedicated Diversity Coordinators at the subsidiary level, has also ensured that the

management of global workforce diversity has not remained a rhetorical or purely idealistic notion. On the contrary, the deployment of formalisation-based mechanisms would appear to have been among the most effective forms of integration, in particular in forcing TRANSCO employees and managers to think about everyday diversity issues when self-initiative was not forthcoming.

Global diversity management challenges

In reference to Kostova's (1999) institutional framework, regulatory challenges were effectively mitigated by TRANSCO's explicit acknowledgement from the outset that legislative anomalies in different host countries will necessitate local adaptation. Instead, the challenges of integrating global diversity management were found to reside in normative and cognitive barriers related to the Finnish host context. In this regard, the Finnish institutional context proved to be both receptive and impervious to the principles of diversity and inclusiveness. In short, the polarised nature of the Finnish institutional environment in relation to diversity meant that whilst gender equality was considered to be a non-issue, the cognitive and normative shifts required to discuss openly the issues of sexual orientation and ethnicity were shown to be a slow and, at times, painful process. This has subsequently led to the general diagnosis that TRANSCO Finland has demonstrated 'ceremonial adoption' (Kostova and Roth, 2002) of diversity through its efficient 'implementation' of policies and practices, but is currently lacking in the 'internalisation' (Kostova, 1999) of diversity which would see organisational members recognise its value and use.

Implications

In terms of the theoretical implications of the study, the large-scale activities and investments witnessed at TRANSCO in managing global workforce diversity highlight a strong need for both further empirical research and theoretical development in this poorly understood field. With regard to how global diversity management is designed and delivered, the question as to whether a global or multi-domestic strategy is more appropriate might better be answered when conceptualising global diversity management as comprising differentiated activities occurring at various organisational levels. As emphasised by the recent theoretical justifications for global HRM, and largely supported in this study, the answer might then be found in more global

integration and consistency of diversity philosophies which supersede nationality, with a leaning towards a multi-domestic approach to diversity policies and practices which are more demographically and institutionally embedded and more susceptible to Anglo-Saxon cultural bias. Such assertions, however, remain empirically under supported and in need of further corroboration.

In addition, two key practical implications can be inferred from the present study. Firstly, the scale and sophistication of any global diversity management intervention must be able to be translated to all relevant local host destinations. As highlighted here, whilst a multi-domestic approach is often deemed most appropriate in dealing with host-specific challenges of workforce diversity, the lack of intervention from the centre can also manifest itself in a more serious lack of support. In this sense, both parent and subsidiary should cooperate to find mutually beneficial solutions. Secondly, and from a longitudinal perspective, MNCs need to remain both persistent and patient in the pursuit of managing global workforce diversity. Indeed, whilst investments in integration mechanisms and evaluation tools can be very constructive in affecting surface-level changes, the required shifts in organisational and individual attitudes and behaviours necessitate a long-term commitment and continuous efforts which see the 'initiative' perceptions of diversity management replaced with something more permanent and meaningful on workplace agendas.

Notes

¹ For reasons of confidentiality, a pseudonym has been used and some of the terms pertaining to their global diversity management activities have been altered.

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