CRACOW UNIVERSITY OF ECONOMICS Faculty of Management FOUNDATION OF THE CRACOW UNIVERSITY OF ECONOMICS

KNOWLEDGE - ECONOMY - SOCIETY

CHALLENGES OF THE CONTEMPORARY MANAGEMENT

Edited by Anna Malina, Renata Oczkowska, Tomasz Rojek

Reviewer
Piotr Bartkowiak
All papers have been prepared in English by the Authors
Wydanie publikacji zostało sfinansowane z dotacji na utrzymanie potencjału badawczego
przyznanej Uniwersytetowi Ekonomicznemu w Krakowie
The book was finansed with subsidies for maintaining the research capacity granted to the Cracow University of Economics
© Copyright by the Cracow University of Economics, Cracow 2013
ISBN 978-83-62511-82-2

Publishing HouseFoundation of the Cracow University of Economics ul. Rakowicka 27, 31-510 Kraków, Poland

Chapter 11

Diversity Management as a Condition for the Success of a Business Organization

Elżbieta Kowalczyk

1. Introduction

Globalization and the era of the new economy involve irreversible economic, but also social and civilization changes. New generations are different from their predecessors in an unprecedented way, and these changes are quite abrupt, often antagonizing their representatives. At the same time, people migrate for a better life to countries that promise prosperity. Societies are becoming more heterogeneous, but it is not tolerance, but aversion to new citizens that grows there. Women want to be independent and therefore enter professional areas that for ages have been reserved for men, yet they still have to overcome numerous social stereotypes and barriers. People at risk of social exclusion are the last to be considered as job candidates.

These are just several elements of the mosaic – the question is how to put them in order? The concept of diversity management seems to be the answer.

The purpose of this article is to show how the above-mentioned concept can contribute to the success of a business organization.

2. The essence of diversity management

It is not easy to define the concept of diversity management and there are many attempts to deal with this task. The issue is all the more difficult that the concept is often linked to an approach geared to the policy of equal opportunities, but it is worth noting that they differ within management practices. The implementation of diversity management in an organization is dictated by the desire to increase development opportunities and improve business performance. It comprehensively covers all employees and various aspects of diversity, and is focused on shaping organizational culture conducive to tolerance and diversity¹.

B. Jamka, Czynnik ludzki we współczesnym przedsiębiorstwie: zasób czy kapitał? Od zarządzania kompetencjami do zarządzania różnorodnością, Walters Kluwer Polska, Warszawa 2011, p. 229.

The above-mentioned forms of diversity may include demographic characteristics (age, sex, place of residence), the competence of staff, religion, race, ethnicity, sexual orientation, disability. All these attributes make people different from each other, and, on the one hand, they can become a source of conflicts, while on the other hand, when skillfully used, they can pre-empt the strength of a team, resulting from the synergy of individual talents and different perspectives of analysis of business problems.

B. Jamka² reviews definitions of the concept of diversity management according to which it is aimed at:

- using the potential of employees;
- eliminating discriminatory practices;
- developing an organization's resources to enable it to gain a competitive advantage;
- respecting principles of an ethical approach to business.

It is worth noting that managing diversity does not merely consist in creating conditions for discriminated or socially excluded people to provide them with equitable access to education, employment, promotions, *etc.* It is also conducive to the quality of work across an organization, and it contributes to its financial success and creates a positive image of the organization. This often requires a change of mentality of people employed in organizations (including managers), breaking stereotypes, and promoting an atmosphere of openness and tolerance³. Diversity management should be based on a corporate HR strategy ensuring the most valuable employees are recruited and retained, and is a condition for competing in many markets⁴.

Summing up the above considerations, it can be assumed that "managing diversity comprises taking advantage of diversified experience, knowledge, skills, predispositions, and sensitivity (purely professional, but also cultural) within the entire organization or company"⁵.

3. Conditions for the application of diversity management

Diversity management does not only result from fashion and emphasis on political correctness in a company, it is a consequence of changes in economic environment and organizations themselves. These changes include⁶:

- Changes in the labour market consisting of the growth in employment of women, ethnic minorities, immigrants and the elderly.
- A diversity of customer groups with different needs who can be reached by a diverse, more sensitive and creative team.
- A more diverse team can raise the efficiency of a company, is conducive to achieving objectives and improves employee morale.

² *Ibidem*, pp. 230-231.

W. Walczak, *Zarządzanie różnorodnością jako podstawa budowania potencjału kapitału ludzkiego organizacji*, "e-mentor" 2011, No. 3/40, p. 6.

⁴ V.L Figiel., M.A. Kummel Sasser, Factors Contributing to Employee Decisions to Ignore Diversity Policy, "Journal of Diversity Management" Fourth Quarter 2010, Vol. 5, No. 4, p. 2.

M. Durska, *Diversity Managemnet: Key concepts*, "Kobieta i Biznes: akademicko-gospodarcze forum" 2009, Vol. 17, p. 36.

⁶ H. Brdulak, *Diversity Management as a Business Model*, "Kobieta i Biznes: akademicko-gospodarcze forum" 2009, Vol. 17, p. 29.

It should be noted that the scope of diversity management is dependent on the socio-economic conditions of each country. In the U.S., the emphasis is on almost all aspects of diversity, while the EU countries with heterogeneous societies take measures, more extensive than in Poland, focused on the gender and age of employees.

According to a study carried out in the EU in 2005, diversity management is applied in many areas of business which include, among others⁷:

- attracting and retaining employees (90%);
- developing skills of workers and their promotion (85%);
- developing leadership and management skills (85%);
- using business strategies (75%);
- carrying out organizational policies and procedures (74%);
- promoting cooperation between employees (68%);
- and marketing and communications (35%), customer service (32%), product offer development (25%), sales (22%), redundancy and restructuring (20%).

Despite a fairly large consensus on measurable business benefits from the use of the analysed concept, surveys among employers indicate that if they have a choice between two people with similar competencies, they will choose a younger person in the first place, and in the second place – a man⁸. Simultaneously, research carried out by E. Kowalczyk on a group of 165 recruiters also shows that 17.6% of them favour one sex, more often male (12.1%). In addition, group discussions conducted among young economically active people highlight the problem of discriminatory practices in the Polish labour market resulting from the age and gender of job candidates⁹. These two phenomena, most present in the Polish organizational practice, will be the subject of a more detailed analysis.

4. Selected areas of diversity management

4.1. Intergenerational management

Intergenerational management is understood as the action of leaders and managers to promote the formation of cross-generational teams. It is a great challenge to manage such a team, because four completely different generations meet in today's labour market. They differ as to not only age, but also experience, technological revolution, needs, values and approach to work issues.

The first is the generation of baby boomers, those born during the baby boom after World War II to the early 60s of the twentieth century. Today, these are people aged 50+, often seen as less productive at work, who hold onto their positions, thus depriving younger, more aggressive men of their chance of employment. Unfortunately, companies do not fight for them and make them take early retirements or bridging pensions, while premature professional deactivation of the em-

⁷ The Business Case for Diversity: Good Practice in Workplace, after H. Brdulak, Diversity Management as a Business Model, op. cit., p. 30.

⁸ Z. Janowska, *Przeciwdziałanie dyskryminacji zatrudnienia. Rzeczywistość polska a standardy europejskie* [in:] *Praca i zarządzanie kapitałem ludzkim w perspektywie europejskiej*, (ed.) A. Pocztowski, Oficyna Ekonomiczna, Kraków 2005, pp. 90-91.

⁹ E. Kowalczyk, *Proces negocjacji w sprawie pracy. Aspekty psychospołeczne i organizacyjne*, Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu, Poznań 2011, p. 292, 318.

ployees is becoming a social problem. In Poland, only 5% of companies have a strategy to attract and retain mature workers, for comparison, in Japan it is 83%, Singapore -54%, South Africa -34% of employers 10 .

When breaking stereotypes, we should note that 50+ employees can be valuable in terms of intergenerational cooperation because¹¹:

- 1. They are very autonomous they are able to independently create reality around them and guide themselves.
- 2. They keep a distance to themselves and their environment they have the ability to analyse the reality from multiple perspectives.
- 3. They have life wisdom and mastery in the profession they refer to different perspectives of those involved in a problem, they are willing to be experts, mentors.
- 4. Generativity they are able to support others, including the young and to care for their families.

The second generation is generation X that includes those born between the first half of the 60s and the beginning of the 80s of the twentieth century. The term applies mainly to people born in the U.S. and Western Europe. For the representatives of this generation, work is a very important part of life, they accept the above-average involvement in it, often putting all eggs in one basket – career. They do painstaking work, after hours, do not question the authority of superiors and respect the organizational hierarchy. They are loyal, change their jobs reluctantly and especially appreciate financial incentive instruments. They know new technologies and use them, but remain detached from information contained in the network, treating it as a tool. They prefer direct communication¹².

The third generation is generation Y (named after the question 'why?' they ask). In Poland, these are people born from the early 80s to early 90s of the twentieth century. This generation is not utterly devoted to work, they want to play, pursue passions and take care of work-life balance. They are well-educated, speak foreign languages and have no complexes in relation to their peers born in Old Europe or the U.S. An organization can no longer count on their loyalty, contrary to the representatives of the previous generation, as they get involved in projects rather than feel connected with their employer. They quickly leave an organization if it does not fulfil their expectations, they want commands issued to them be supported by strong arguments, they find it difficult to abide by organizational rules and procedures, and they value comfort and convenience¹³.

Finally, the last generation that is now entering the labour market is generation C – born after the 90s of the twentieth century and growing up in the twenty-first century. Its name means 'connect, communicate, change'. They do not know the world without the Internet, and clicking is the most frequent activity performed by the so-called digital natives. This generation lives

¹⁰ B. Skowron-Mielnik, Organizacja pracy w perspektywie aktywizacji zawodowej osób starszych [in:] Instrumenty zarządzania we współczesnym przedsiębiorstwie – nowe kierunki, (ed.) K. Zimniewicz, "Zeszyty Naukowe" UE w Poznaniu 2009, No. 129, pp. 509-516.

E. Rzechowska, A. Garbacz, K. Konopa, *Postrzeganie pracodawców przez osoby w wieku średnim* [in:] *Dojrzały pracownik na rynku pracy*, Conference Proceedings, Lublin 2011, p. 1.

Pokolenie X-czy należysz do tej generacji?, www.starthr.blogspot.com [25.01.2013]; K. Izdebska, Pokolenie X vs. Y-zgrzyt?, www.pracuj.pl [25.01.2013].

P. Kołakowski, *Rekrut(ant) specjalnej troski*, www.pracuj.pl [26.01.2013]; G. Jabłońska, *Pokolenie Y wyzwa-niem dla pracodawców*, www.rynekpracy.pl [31.08.2009].

in two parallel worlds – virtual and real. According to a study conducted by Booz & Co., new technologies, work in the so-called clouds and on their own (not corporate) personal computers will become the norm for generation C, which will further increase the gap between generations. In their hierarchy of values, work is placed after family, home, passions and money. They want to develop their skills at work and carefully select their employers so as to enrich their experiences¹⁴.

These are the four generations, four different approaches to the place of work and company in life. Are they able to look at each other without the deforming and reluctant perspective, shaped by stereotypes? Diversity management gives such hope, and, hopefully, it is not futile.

4.2. Gender as a team - differentiating factor

Analyses on the role of psychological sex (gender) in the functioning of people increase the role of socio-cultural, rather than biological conditions. This is because they determine to a large extent what behaviours are developed and widely accepted. Since the 80s of the twentieth century, very rich data meta-analyses have been conducted that reveal differences in cognitive, behavioural and emotional functioning between the representatives of different sexes. These differences and the stereotypical perception of the roles, opportunities and ranks of women and men have led to the division of occupations into male and female. This is especially present in male-dominated societies. Once the participation of women in a profession increases, its rank drops, which is why women's access to it is blocked¹⁵. Women who want to work in "male" occupations need to be better educated, more competent, resistant to dislike and courageous in breaking traditional views shaped by long-lasting social norms.

The inferior position of women in the labour market in Poland is evidently proved by statistics which show that in the first quarter of 2013, men constituted 57.1% of all employees, while there were 64% of economically active men and only 47.7% of women. Labour demand among men amounted to 8,491 (in thousands) and among women – 6,800 (in thousands). It is worth noting that men worked 4.2 hours more per week¹⁶, but the unpaid work of women in 2010 reached up to 31 hours per week, while the work of men was 9 hours per week. Wages in Poland are also differentiated with regard to sex – female rank and file employees receive 90% of male salaries, but when they are directors or managers of companies, this figure drops to 77%. Unfortunately, there are only 12% of women among directors and managers of companies present on the Warsaw Stock Exchange¹⁷. At the same time, with the exception of technical studies, women constitute the majority of university graduates. Their career path is often interrupted, and the decision to temporarily withdraw from the labour market (e.g. they give birth and raise children) is subject to high risk associated with the return to work after a few years. Therefore, measures taken by companies in support of pro-family solutions are particularly valuable for the implementation of the concept of diversity management.

¹⁴ R. Friedrich, M. Le Merle, M. Peterson, A. Koster, *The Rice of Generation C. Implication for the World of 2020*, Booz & Co., http://www.booz.com/media/uploads/Rise_Of_Generation_C.pdf [28.01.2013]; *Zegnaj X i Y. Witaj C! Nowe pokolenie zmienia rynek pracy*, Pracujflexi.pl [28.01.2013].

Kobiety i mężczyźni. Odmienne spojrzenie na różnice, (ed.) B. Wojciszke, GWP, Gdańsk 2002, p. 163.

¹⁶ Kwartalna informacja o rynku pracy, GUS, www.stat.gov.pl [29.05.2013].

¹⁷ Kobieta na rynku pracy. Siedem mitów, rynekpracy.pl, wynagrodzenia.pl, [28.12.2012].

5. Diversity management in business practice

5.1. Ranking of companies applying diversity management

The DiversityInc Top 50 ranking was started in 2001, then 75 companies signed up for evaluation. In the last edition of 2012, the number grew to 587, and in the last year it increased by 11% Participation in the ranking is voluntary and free of charge. Companies that declare their participation complete a questionnaire which is constantly being improved and takes into account the specificity of a sector. In addition to the general list of the top 50 companies, there are also rankings of top 10 or 5 companies in different categories, such as: Companies for Supplier Diversity, Blacks, Latinos, Asian Americans, Executive Women, LGBT Employees, People With Disabilities, Global Diversity, Regional Diversity, Regional Utilities, Hospital Systems. In 2013, a new category of Veterans will be added. It should be noted that any business relationships of DiversityInc ranking participants do not affect in any way the outcome of the statement 19.

Crème de la crème of the 2012 DiversityInc Top 50 Companies for Diversity list is as follows²⁰:

- 1. PricewaterhouseCoopers
- 2. Sodexo
- 3. Kaiser Permanente
- 4. AT&T
- 5. Procter & Gamble
- 6. Ernst & Young
- 7. Kraft Foods
- 8. Deloitte
- 9. Prudential Financial
- 10. Colgate-Palmolive

5.2. Good business practice - PricewaterhouseCoopers

PwC is in the first place of the discussed ranking. The company has an excellent reputation and has achieved unquestionable business success. The measure may be its global dimension, revenue and long-standing tradition. Selected principles of its functioning are thus worth a closer look.

PwC is a consulting company whose roots date back to the mid-nineteenth century when Samuel Lowell Price and William Cooper founded their companies in London. Their later merger became the core of today's PwC. In 1982, a worldwide network of Price Waterhouse companies was launched, while sixteen years later, a subsequent merger gave rise to PricewaterhouseCoopers. The year 1990 is significant for the presence of the company in Poland as branches Coopers & Lybrand and Price Waterhouse appeared in Warsaw, and PricewaterhouseCoopres – in 1998, along with the global merger. Its branches are located in seven cities in Poland, and employ 1,700

¹⁸ Facts & Figures, The 2012 DiversityInc Top 50 Companies for Diversity, www.diversityinc-digital.com [14.03.2013].

¹⁹ About The Diversity Top 50, www.diversityinc.com [14.03.2014].

²⁰ Facts & Figures, The 2012 DiversityInc Top 50 Companies for Diversity, www.diversityinc-digital.com [14.03.2013].

people, including 53 Partners. However, worldwide PwC employs nearly 180,000 people in 158 countries and is one of the largest employers in Europe. Its global annual revenues for the fiscal year ended on 30.06.2011 amounted to 29.2 billion USD.

PwC Poland takes care to recruit young workers and accommodates 200-300 people yearly for internships and traineeships. The rank of the employer is also reflected in the fact that dozens of people have been working for PwC for over 15 years. Half of the employees at PwC are women, and the chairman is Olga Grygier-Siddons²¹.

PwC ensures equal opportunities for all employers, with particular emphasis on gender equality. The company has adopted the following solutions that enable its employers to reconcile their work and life responsibilities²²:

- 1. Flexible working hours regulated working hours allow employers to combine different responsibilities.
- 2. Reduced working hours a gradual return to work, e.g. after maternity leave.
- 3. Telecommuting remote work with the use of modern technology. This allows employers to take care of their family members.
- 4. Transfers due to life circumstances as a result of which employees have to change their place of residence. PwC allows them to change the branch they are employed in.

However, on a global scale, the company has created a team for equal opportunities who carry out their activities in Australia, Canada and the United States, Europe (France, Germany, Sweden, the United Kingdom, Poland), Asia (Malaysia, Middle East) or South Africa. These programs support, among others, diversity in leadership, employment flexibility and aspirations of workers, encourage women with a mentoring program, help young mothers (parents)²³. On the corporate website, there are interviews with women working in PwC worldwide that have achieved success and encourage other ladies to ensure their development and career. Dennis Nally, Chairman of PricewaterhouseCoopers International Limited, commented as follows, "Women bring a different perspective to the table. And more perspectives can lead to better decision-making, more innovation and higher performing teams"²⁴. Activities across the organization suggest that the perception of diversity as explained above is believed to be of value, which ensured PwC the first place in the DiversityInc ranking and contributed to its business success.

6. Psychological support of an organization in managing diversity

As many psychosocial obstacles may occur in diversity management, a specialist in the field of organizational psychology may be particularly helpful in coping with them. The main areas of the specialist's intervention may include:

- building a climate of tolerance and openness to diversity;
- training leaders who can understand the needs of different groups of employees;

²¹ *O firmie PwC – Polska*, www.pwc.pl [16.06.2013].

²² Ibidem

²³ Global Initiatives. Examples of Women's Initiatives from around the Word, www.pwc.com [19.06.2013].

²⁴ Global Diversity & Inclusion Council: Dennis M. Nally (Sponsor), www.pwc.com [19.06.2013].

- supporting development through planning career paths, supporting people with a weak position in the labour market (workers 50 +, people with disabilities, representatives of various minorities), preparing mentors;
- breaking hackneyed, stereotyped perceptions of others, *e.g.* through sensitivity trainings²⁵ and training method Diversity Icebreaker²⁶.

7. Conclusion

The practical application of the concept of diversity management is a real challenge for both managers and entire organizations. However, the resulting effort and its implementation bring tangible benefits. These include:

- increasing efficiency and staff motivation;
- strengthening organizational culture that values tolerance and openness;
- improving the image of the labour market;
- ability to meet diverse customer needs, build a diversified portfolio of clients and products. Diversity management is not only a sign of keeping up with new trends in management, but it becomes a means of building a visible and financially viable competitive advantage. It is a condition for the success of (not only) business organizations.

Bibliography

- 1. About The Diveristy Top 50, www.diversityinc.com.
- 2. Brdulak H., *Diversity management as a business model*, "Kobieta i Biznes: akademickogospodarcze forum" 2009, Vol. 17.
- 3. Durska M., *Diversity Management: Key concepts*, "Kobieta i Biznes: akademicko-gospodarcze forum" 2009, Vol. 17.
- 4. Ekelund B.Z., Pluta P., Diversity Icebreaker trening elastycznego zarządzania różnorodnością [in:] Sukces w zarządzaniu kadrami/Elastyczność w zarządzaniu kapitałem ludzkim, (eds.) S.A. Witkowski, M. Stor, Wyd. UE we Wrocławiu, Wrocław 2012.
- 5. Facts & Figures, The 2012 DiversityInc Top 50 Companies for Diversity, www.diversityinc-digital.com.
- 6. Figiel V.L., Kummel Sasser M.A., Factors Contributing to Employee Decisions to Ignore Diversity Policy, "Journal of Diversity Management" Fourth Quarter 2010, Vol. 5, No. 4.
- 7. Friedrich R., Le Merle M., Peterson M., Koster A., *The Rice of Generation C. Implication for the World of 2020*, Booz & Co., http://www.booz.com/media/uploads/Rise_Of_Generation_C.pdf/.

Sensitivity training – quasi-therapeutic group work procedures to improve awareness of group phenomena; A.S. Reber, *Słownik psychologii*, Wydawnictwo Naukowe SCHOLAR, Warszawa 2000, p. 835.

Diversity Icebreaker – a multistep method that makes trainees realize the mechanism and consequences of labelling people. With the method, one can understand diversity, a climate of acceptance is created, people are seen from a different perspective than from one's own. It opens people to diversity, weakens the associated fears and distrust; B.Z. Ekelund, P. Pluta, *Diversity Icebreaker – trening elastycznego zarządzania różnorodnością* [in:] *Sukces w zarządzaniu kadrami. Elastyczność w zarządzaniu kapitałem ludzkim*, (eds.) S.A. Witkowski, M. Stor, Wyd. UE we Wrocławiu, Wrocław 2012, pp. 265-272.

- 8. Global Initiatives. Examples of women's initiatives from around the word, www.pwc.com.
- 9. Global Diversity & Inclusion Council: Dennis M. Nally (Sponsor), www.pwc.com.
- 10. Izdebska K., *Pokolenie X vs. Y zgrzyt?*, www.pracuj.pl.
- 11. Jabłońska G., Pokolenie Y wyzwaniem dla pracodawców, www.rynekpracy.pl.
- 12. Jamka B., Czynnik ludzki we współczesnym przedsiębiorstwie: zasób czy kapitał? Od zarządzania kompetencjami do zarządzania różnorodnością. Walters Kluwer Polska, Warszawa 2011.
- 13. Janowska Z., *Przeciwdziałanie dyskryminacji zatrudnienia. Rzeczywistość polska a standardy europejskie* [in:] *Praca i zarządzanie kapitałem ludzkim w perspektywie europejskiej*, (ed.) A. Pocztowski, Oficyna Ekonomiczna, Kraków 2005.
- 14. Kobieta na rynku pracy. Siedem mitów, rynekpracy.pl, wynagrodzenia.pl.
- 15. Kobiety i mężczyźni. Odmienne spojrzenie na różnice, (ed.) B. Wojciszke, GWP, Gdańsk 2002.
- 16. Kołakowski P., Rekrut(ant) specjalnej troski, www.pracuj.pl.
- 17. Kowalczyk E., *Proces negocjacji w sprawie pracy. Aspekty psychospołeczne i organizacyjne*, Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu, Poznań 2011.
- 18. Kwartalna informacja o rynku pracy, GUS, www.stat.gov.pl.
- 19. O firmie PwC Polska, www.pwc.pl.
- 20. Pokolenie X czy należysz do tej generacji?, www.starthr.blogspot.com.
- 21. Reber A.S., Słownik psychologii, Wydawnictwo Naukowe SCHOLAR, Warszawa 2000.
- 22. Rzechowska E., Garbacz A., Konopa K., *Postrzeganie pracodawców przez osoby w wieku średnim* [in:] *Dojrzały pracownik na rynku pracy*, Conference Proceedings, Lublin 2011.
- 23. Skowron-Mielnik B., Organizacja pracy w perspektywie aktywizacji zawodowej osób starszych [in:] Instrumenty zarządzania we współczesnym przedsiębiorstwie nowe kierunki, (ed.) K. Zimniewicz, "Zeszyty Naukowe" UE w Poznaniu 2009, No. 129.
- 24. Smyer M.A., Pitt-Catsouphes M., *The Meanings of Work for Older Workers*, "Generations" 2007, Spring, Vol. 31, No. 1.
- 25. Walczak W., Zarządzanie różnorodnością jako podstawa budowania potencjału kapitału ludzkiego organizacji, "e-mentor" 2011, No. 3/40.
- 26. Żegnaj X i Y. Witaj C! Nowe pokolenie zmienia rynek pracy, Pracujflexi.pl.