

Summary of Project Period Report for European Research Commission

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Rijksuniversiteit Groningen, June 2010

During the **first part of the project** we aimed at identifying issues of cultural diversity on the national, the organizational and personal level and their respective links. Studies were conducted with participants of different cultural background and positions, within different types of organizations and across different countries, New Zealand, the Netherlands and Austria specifically. Apart from national and organizational context analyses through the study of existing international and national data bases and documents, we conducted face-to-face, qualitative interviews with employers/employees of different cultural backgrounds in New Zealand (n = 18/n= 78), Austria (n = 29/n= 19) and the Netherlands (n = 19/n= 50). The interviews aimed at learning about the participants' (management) experiences with living and working in a culturally diverse environment to identify personal and organizational approaches towards diversity while considering the specific national cultural context and ethnic groups involved. We further developed a survey instrument in German, English and Dutch to conduct comparable studies in the three countries of interest. To have cross-culturally valid and reliable scales and measurements, several pre-tests with students and employees were conducted, including new measures of our core concepts of perceived benefits and threats of diversity, diversity perspectives and inclusive identities.

The **national context analyses** revealed that Austria, the Netherlands and New Zealand face quite similar issues when it comes to population demographics (like percentage of foreign-born population), economic needs (such as skills shortages) and labor market participation rates (like unemployment rates of minority groups). Besides such similarities the countries' histories of migration and their approach to dealing with diversity differ greatly as expressed in different diversity policies (as derived in reference to Berry, Phinney, Sam & Vedder, 2006), public perceptions of a country's international openness (calculations based on the World Competitiveness Yearbook IMD, 2007) and prevalent socio-cultural values (based on House, Hanges, Javidan, Dorfamn & Gupta, 2004). New Zealand, for example, can be described as having a high diversity policy index, the Netherlands with a strong public perception of its international openness and Austria with high uncertainty avoidance.

To link the **macro- with the meso-level of analysis**, we tested a logistic hierarchical regression model on national and organizational context effects on the implementation of action programs for ethnic minorities based on the CRANET database (n = 1865), a cross-national, longitudinal survey with Human Resource managers since 1989 (Brewster, Mayrhofer, & Morley, 2004). In our multilevel model of 1.865 organizations from 10 countries we analysed the influence of national level factors, such as policies, public perceptions and socio-cultural values and of organizational level factors such as industry, sector and international market orientation. We controlled for population demographics, organizational size, profitability and implemented action programs for other minority groups. Our results clearly identify driving forces of implementing action programs for ethnic minorities on an organizational as well as national level.

On a macro-level, the implementation of action programs for ethnic minorities is influenced by:

- a medium level of being actively involved in diversity policies
- a positive public perception of a country's international openness and
- low uncertainty avoidance as a prevalent cultural value orientation.

On a meso-level, sector and industry prove to be relevant with public and social service sector organizations being most likely to have action programs. Structural aspects, like organizational size as well as countries' demographics, do not show any direct effects. Our results hint at issues of fairness and social responsibilities as major reasons for organizations to implement action programs for ethnic minorities as opposed to economic assets (Podsiadlowski & Reichel, 2009).

To link the **meso- with the micro-level of analysis** we conducted surveys with New Zealand employers (n = 100; n = 141) who provided us with information about their workforce composition, diversity management measures, firm performance, personal background, ideologies, attitudes and personality as well as performance assessment. We tested the impact of organizational and personal factors on workforce composition, diversity management and performance in two separate models (organization model and manager model) using observed measures structural equation modelling. Results showed that a) managers' personal approach (multicultural ideology, cultural empathy and positive attitudes towards diversity at the workplace) has a positive effect on employing culturally diverse people and actively managing a culturally diverse workforce, and b) organizational size and profitability had negative effects on diverse workforce composition whereas public and international organisations implemented more diversity management measures. Furthermore, our findings revealed that a diverse workforce composition and diversity management affect performance assessment positively. It becomes clear that the personal background of relevant decision makers is crucial for an organization to diversify and implement diversity related Human Resource Management practices. Furthermore, sector and ownership of an organization matter when it comes to formalized diversity management (Podsiadlowski & Boer, 2009).

The quantitative findings linking macro- with meso-level of analysis as well as meso- with micro-level of analysis get supported and completed by the rich source of qualitative interviews conducted in New Zealand, Austria and the Netherlands. The **qualitative material from interviews** with employees and employers of different cultural background and in different organizational positions help to identify cultural specific conceptualizations of diversity and diversity management, issues of inclusion and the unique interplay of organizational, national and personal context factors. Across the three countries we can identify commonalities in approaching and managing cultural diversity at the workplace such as language and selection issues and perceived benefits of diversity. The lack in implemented diversity management measures, neither as part of formal HR management nor embedded in daily management routines, is striking, may they be bias-free recruitment and selection procedures, performance evaluation or career development initiatives. Organizational size matters only if we consider an organization's profitability when implementing diversity management measures. Interestingly, an organization's headquarter seems to have less affect than the local HRM strategies. A higher actual diversity could be found in organizations, whose diversity goals aimed at productivity, creativity and innovation and that had more structural and systematic adjustments to change into a more diverse organization.

In the course of our project we derived five possible approaches of organizations to address diversity (named **diversity perspectives** with reference to Ely and Thomas, 2001). The development of those five perspectives is based on theories of intergroup relations (as social identity and categorisation, relational demography, competition and threat theories; Brewer, 1979; Lau & Murnighan 2005; Le Vine & Campbell, 1972; Riordan, Shaffer & Stewart, 2005; Stephan, Ybarra, Martínez, Schwarzwald & Tur-Kaspa, 1998; Tajfel & Turner, 1986; see also Podsiadlowski & Ward, 2010) and respective own previous research.

The five diversity perspectives are (Podsiadlowski, Otten & van der Zee, 2009):

1. *Reinforcing Homogeneity*: avoiding and even resisting a diverse workforce

2. *Colour-Blind*: stressing equal employment opportunities without acknowledging potential differences due to cultural background
3. *Fairness*: addressing the need of specific support for minority groups to ensure equal and fair treatment, reduce social inequalities and avoid discriminatory practices
4. *Access*: referring to diversity as a business case by gaining access to diverse customers and international markets as well as reflecting the demographics of an organization's external environment and
5. *Integration and Learning*: moving beyond business-related demographic reasons and appreciation. Here the understanding is that everybody – also within the organization – can benefit from a diverse work context and diversity creates an overall learning environment for the organization as a whole and its employees.

Furthermore, four types of interventions were identified in the literature (Tanghe, 2009):

1. Diminishing lags
2. Reducing stereotyping, prejudice and discrimination
3. Benefitting from the surplus value of diversity and
4. Increasing positive relations.

In the qualitative employer data, all five perspectives could be identified with *Access* and *Colour-Blind* being the most frequent approaches to diversity. *Integration and Learning* was particularly found in organizations where diversity was related directly to their mission. Data with employers and employees in the same organization showed that a fit between type of intervention and diversity perspective proved to be relevant for employees' acceptance of the organization's diversity management.

Based on those five diversity perspectives and qualitative material, we developed and pre-tested a **new instrument** to measure an organization's diversity perspective including statements on the dominant and wished for ideology, as well as scales on appreciation of diversity, perceived profitability, organizational fit and reasons to diversify. The identification and measurement of those five diversity perspectives is central for this project as it shall help to diagnose an organization's current state of diversity management and derive recommendations for stakeholders and decision makers to develop and change into a more inclusive organization.

Overall, our **findings** identify different organizational and national mechanisms to diversify and manage diversity and the relevance of personality and attitudes of primary decision makers. In the quantitative as well as qualitative studies it becomes clear that a person's personal intercultural experience and attitudes towards diversity affect how he or she conceptualizes and perceives diversity and if he or she works towards a diverse workforce and implements diversity management practices (in case our participants are in the position to do so). Furthermore, public, international and service oriented organizations are more likely to have formal diversity management implemented, whereas organizational size and workforce composition show ambivalent results implying only possible indirect effects. Economic factors become only relevant when it comes to an organization's profitability to be able to implement diversity management, but not in relation to its international market orientation or labour market related needs.

Future work lies in conducting cross-national comparative studies in New Zealand, Austria and the Netherlands to be able to test our research model in a multi-level framework of workplace diversity within one dataset. A diagnostic instrument shall be developed that is based on identifying an organization's present and desired diversity perspective as well as

type of interventions in order to derive possible implications for organizations on how to manage diversity effectively and support inclusion and to be able to provide feedback and recommendations to relevant stakeholder groups. Future challenges of research and practice lie in understanding the different diversity perspectives organizations may have and how organisations should manage diversity, considering different national contexts and cultural groups involved.

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