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## Diversity Management: A Necessary Prerequisite for Organizational Innovations?

### Abstract

Together with significant changes in the Czech society after the year 1989 and with opening up of the Czech economy and namely after the Czech Republic joining the European Union in the year 2004 there has been a growth of interest of companies in gaining, development and retaining the employees who have a high potential and who are able, by means of innovative ways, to achieve organizational strategies. The phenomena such as opening up, globalization and democratization of the society have brought increased interest in the company culture and Corporate Social Responsibility (CSR) within the field of organization strategies. In the field of human resources new approaches are applied, such as diversity management or integrated talent management. This paper presents a research study focusing on implementation of diversity management in the Czech corporate setting from the perspective of the large companies which, using their international background, successfully implement various diversity management policies and programs. The case studies presented in this paper continue our previous international research aimed to highlight just diversity management in the Visegrad countries [6]. The findings of the present study clearly indicate the connection between the organizational strategy and the CSR strategy and the organizational culture when applying various activities in the field of diversity management. The results of the research study also indicate that knowledge-based organizations are engaged in development and care of people who are represent human potential inevitable for the innovation potential of companies. The six companies covered in the case studies ranks among successful companies in the Czech Republic that have already gained a number of awards for activities in the above field. Therefore we assume as very useful to present a comparison of the examined elements of diversity management implementation in successful companies regarding development of both theory and for its practical application.

### Key Words

*diversity, diversity management, human resource development, case studies, innovations*

**JEL Classification: M12, M14**

## Introduction

Diversity management comes from the U.S. where it developed in the 1980s as a response to the problems of the labour market [22]. In the 1990s it entered Europe [24] but companies in the EU have seen its development and practical application only recently. Diversity is understood as one of the ways how to respect diversity but also

how to make good use of it not only within an organization but also in relation to its customers and stakeholders [5]. In the field of the development and application of human resources it has become very important and relevant namely after the Czech Republic entering the European Union. Diversity management is based on the strategy of an organization and it is also connected with corporate social responsibility [12], [19]. Within an organization the concept of diversity management relates to the appropriate part of the strategy and vision of a company and it is reflected in the organization culture as it supports communication within a company. New studies are being implemented abroad focusing on the use of diversity to support innovation. They are based on the assumptions that „Innovation is an interactive process that often involves communication and interaction among employees in a firm and draws on their different qualities from all levels of the organisation.“ [21, p. 500]. In this respect attention is drawn namely to the knowledge and experience brought by diversity teams. Our main concern is, for the time being, to investigate the successful implementation of diversity management practices in Czech corporate setting.

## **1. Literature overview**

With regard to the extent of this paper we give just the basic definition of the term diversity and refer to the work of [8], [9], [11], [14], [6]. According to the given authors the term diversity is defined namely as heterogeneity of the labour force from the point of view of several criteria or dimensions. We distinguish the so called primary dimensions [9], [3]. They are as follows: age, ethnicity, gender, mental/physical abilities and characteristics, race, sexual orientation. The secondary dimension may contain the following factors: communication style, education, family status, military experience, organizational role and level, religion, first language, geographic location, income, work experience and work style. The primary dimensions have big influence on our employability (what is typical about them is the fact they are self-evident and well noticeable). As for the companies, Hubbard, for example, [9, p. 27 – 28] recommends observing diversity according to four independent basic aspects, but in reality these may often overlap one another: workforce diversity, behavioural diversity, structural diversity, business diversity see also [5]. Hubbard [9, p. 27] defines diversity management as “The process of planning for, organizing, directing, and supporting these collective mixtures in a way that adds a measurable difference to organisational performance“. In literature diversity management is understood as a systematic procedure used by companies when they decide to work with diversity and when they expect benefits based on such a strategic advantage [3], [2].

The development of the concept of diversity management from the affirmative actions (since the 1970s) up to broad use of diversity management in organizations (after the year 2000) is presented by, for instance, [18]. The concept of diversity management was originally associated with activities focusing only on the field of personnel management [12], [26], [8], only later the concept became an attitude perceived in a broader way. It is a concept realizing the diversity even outside companies and finally the concept was used more purposefully even in association with phenomena such as organization culture and corporate CSR. In connection with broader perception of the concept of

diversity management we can witness the emergence of national specific features, see for example [24], [15] or [14]. The above facts also relate to the widely accepted opinion that it would not very wise to adopt measures similar to the affirmative actions from the US.

It is important that there are partial studies proving the benefits of diversity management for organisations at the stage of its implementation [1], [7], [9], [26], [10] and the above stated study even highlights, on the example of some Danish companies, the relation of diversity of employees to the success of companies in the field of innovation.

## **2. Methodology of research**

The purpose of the research study was to provide examples of successful diversity management implementations in large organizations with international participation and to describe these examples as case studies “best practices”. Furthermore to analyse common characteristics of the examined implementations, even in its relation to Corporate Social responsibility (CSR) and also to present the specific diversity management activities as possible application in other companies in the Czech Republic. We drew on the realistic assumption that CSR [19] is becoming an integral part of the strategies of responsible companies and also on the preliminary research [5] that confirmed that large companies with international participation already implement diversity management even in the Czech Republic. The decision of the European Union about the requirement for gender balance in the management of large companies has also been a significant factor for our research. The main research question is as follows: What is the existing state of the implementation of diversity management in large organizations in the Czech Republic? The research study was carried out by the Department of Andragogy and Personnel Management of Faculty of Arts in Prague and the Department of Business Economics and Management of Faculty of Economics of University of West Bohemia in Pilsen (UWB) and was supported by the following research projects: Diversity management, comparison, the best practices of Visegrad countries (Visegrad Fund) and Research of the influence of monitoring, evaluation and prediction of the organization processes development on the overall performance (SGS-2012-028, UWB).

The method of case study was selected for the description and for better understanding of diversity management implementation in some selected organisations. The procedure is derived from [23], [4] and from the pilot project from the year 2009 [5]. The limited extent of this paper only enables to present just a selection from an extensive research and that is why in the four case studies below there is always some brief information about the company and CSR, a basic description of the attitude to diversity management and a selection of important and highlighted activities as related to diversity. The data for the case studies were collected namely from the web pages of the companies, annual reports and namely from the structured interviews with the responsible HR managers of the selected companies in the Czech Republic. The following characteristics were applied for the case selection: the organization belongs to large companies, it is part of a

multinational company, diversity management implementation and CSR application is confirmed by gaining international or national awards.

A brief description of four case studies is listed below. Other two case studies (IBM Delivery Centre Brno and Česká spořitelna a.s. see [6]) are presented only in a synoptic table. The set of the case studies involves one company from the field of telecommunication services, two companies from the field of food manufacture, one from the field of IT services and two companies from the field of banking. This way a certain extent of variety of the selected cases have been achieved from the point of view of the sector in which the organization is active.

### **3. Case studies**

#### **3.1 Application of diversity management in practice by the company T-Mobile Czech Republic, a. s. (join stock company – JSC)**

The T-Mobile Czech Republic a.s. company belongs to the main mobile operators in the Czech Republic. It has been operating on the Czech market under the name of T-Mobile since the year 2003. The T-Mobile Czech Republic a.s. company provides mobile and land line telecommunication services, ICT services and satellite T-Mobile Television. It is part of Deutsche Telekom concern. Currently the company employs almost 3000 employees in the Czech Republic. The company entered the concept of social responsibility in the year 2005. The phenomena like the protection of the environment, assistance to the handicapped citizens, cooperation with non-profit organizations, fair business development, protection of children and such like belong to the primary monitored fields. The projects beneficial for various communities are promoted within the CSR field, the involvement of employees in donorship and volunteering is also supported. Diversity in the company is defined as respect to the individual and cultural diversity. Diversity is perceived as part of the company culture and as one of the important company values supported by the management. The company has developed a strategy for management in the field of diversity, whose aim is to achieve a well balanced diversity that would support the company prosperity (the so called balance of diversity) [25].

##### **Examples of activities**

Within the strategy of diversity management the company focuses on two basic fields of diversity. The first one is the support of equal opportunities, the so called “Fair Share”. The company implements programmes to support career growth for women, a well balanced age structure of teams and the involvement of handicapped persons in work. The company also initiates programmes for parents on maternity/parental leave, and assists them when they return after the maternity/parental leave. Last but not least, the company also supports the ethnical diversity of teams. Specific attention is paid to new employees and their coaching. The use of coaching was extended to all the company

employees. The second field that T-Mobile sees as important is the work-life balance. The company offers and extends the range of working and alternative loads. The diversity policy is communicated by means of various communication channels, including the magazine Echo or the Intranet web pages. Various activities are organized for managers, from conferences, through workshops ("Gender differences in the workplace") up to the activities from the field of work-life balance [25].

### **3.2 Application of diversity management in practice by the Kraft Foods CR Ltd. Company**

The food company Kraft Foods CR Ltd. is part of a multinational company Kraft Foods International Inc. (KFI) with the head office in New York, USA. The company has been operating in the Czech Republic since 1992. It focuses on manufacture of biscuits and chocolate sweets. In the Czech Republic the company employs almost 700 employees. In the long-term the company implements projects falling in the field of social responsibility. Responsible behaviour does not apply only to business and building quality and favourite food brands. The company primarily deals in the fields such as healthy lifestyle, sustainable development and agricultural sources, ecological activities and contributions to local communities. The company was involved in the project "The Halfway house" or it aims to be of help by means of the organization called "A man in distress" and such like. In Kraft Foods diversity is defined as experience, perspectives and skills that make each employee unique. All differences between employees are respected. Diversity in the company includes both primary and secondary dimensions of diversity. The primary goal of the diversity strategy is to work with it within the relationships to customers, suppliers and colleagues and also to realize its significance. Diversity as perceived by Kraft Foods is not understood only as a one-time project or an independent activity but as a way. Within the diversity strategy the company aims at creating an inclusive organizational culture. HR as a business partner has a crucial role for diversity management in Kraft Foods as it supports diversity in the individual HR processes across all the company [17].

#### **Examples of activities**

The company supports diversity on the workplace by offering flexible working hours, the possibility of working from home, (after discussing this possibility with the relevant superior), reduced and part time workloads. In case of special projects the suitable workers are also offered special project workloads. The company also supports internal mobility at the local level and highlights the support of talents within Kraft Foods and uses the talent management at the international level. Career planning and the so called job commencement plans are also part of the company policy. Equal treatment in the company is supported by means of personnel processes, such as recruitment and selection of employees. Kraft Foods also monitors women representation in the management. Education and harmonizing work and private life is also part of the diversity attitude. In the company the global events focusing on healthy life style and the work-life balance within the project "Health and Wellness" are also organized.

### **3.3 Application of diversity management in practice by the Nestlé Česko Ltd. Company**

Nestlé Česko Ltd. company belongs to the significant manufacturers of chocolate and non-chocolate sweets and it occupies one of the leading positions on the Czech food market. The company is part of the international food group Nestlé. In the year 2011 the company employed almost 2,000 employees.

The CSR concept in the company is perceived as a significant part of the company culture. In the CSR field the company has chosen the approach of the so called creation of the shared values built on the idea that for the long-term success of the company performance it is important that the values related to the business activities are brought not only to the shareholders but also to the community in which the company operates. Social responsibility is applied in the range from ethical standards up to responsible behaviour in the field of the environment and active support of the non-profit sector. The Nestlé company considers diversity management a competitive advantage. It has been dealing with diversity management since the year 2006. The company aims at setting such a culture that is more open and diversity focused and where the employees are considered to be the biggest asset regardless their gender, race or age. The company provides equal opportunities for development and career advancement to all their employees [20].

#### **Examples of activities**

Two priorities of diversity management were set in the company. The first one is the talent management and its link to diversity management, recognising talents without any prejudice and awarding any individuality, creating development plans and job commencement plans. The second, by no means a less important field, is the cooperation with parents on maternity leave and the system by which they return to work (the programme is called Cooperation during the maternity leave). The company maintains regular contact with parents on maternity/parental leave and it provides information about the developments in the company, about the projects and opportunities. The guided gradual integration of the mothers back into the company is also part of the programme. The process of returning back to work is also supported by adapting the workloads (usually reduced working hours in combination with work from home). Attention is also paid to the field aimed at harmonizing personal and professional life, alternative work modes, all of which was started as early as in the year 2006.

### **3.4 Application of diversity management in practice by the Komerční banka, a.s. (JSC)**

Komerční banka, a.s. (KB) belongs to the three largest banks in the Czech Republic. It offers services in the field of retail, corporate and investment banking and other services, such as, for example, supplementary pension scheme, building saving, consumer credits and such like. KB is part of the international group Société Générale. Currently it employs almost 8,000 employees, out of whom more than 70% are women.

Social responsibility is integral part of the KB strategy and is understood as one of the key fields of the long-term success. Within the field of socially responsible behaviour the company supports projects aimed at the development of the civic society, support of education, projects of health and social character and projects focusing on the environment protection. KB considers diversity management to be a competitive advantage and that is why it also became integral part of the responsibilities of HR. The company applies a broad concept of diversity, both in its primary and secondary dimensions. Within diversity management the company focuses namely on the field of support of equal opportunities for specific groups of employees, namely the field of gender diversity and the field of harmonizing personal and professional life and talent development [16].

### **Examples of activities**

Within the support of equal opportunities the company implements programmes aimed at specific groups of employees. It is, for example, employees on maternity/parental leave who the company helps to maintain contact with the bank, within the program for career guidance called Carmen (the aim of the programme is to enable equal career opportunities for all employees), and the organization also supports their faster and easier integration to workplace. KB also focuses on other specific groups of employees, such as employees 50+, the handicapped employees, graduates and students. Mentoring, in KB it is included in the programme called Talent management, is also applied in the field of gender diversity and within the support of women to help them develop their careers. In the field of harmonizing personal and professional life (work-life balance) the company actively supports alternative workloads (flexible working hours, part time jobs, work from home, hot-desking and such like).

## **4. Comparison of the monitored characteristics of diversity management implementation**

The table on the next page brings the main monitored characteristics of the implemented case studies. Their purpose is to highlight the proven approaches of diversity management implementation in the Czech Republic for their adequate use in other, medium sized and small businesses in the Czech Republic.

## **Conclusion**

Economic, social and cultural changes in the Czech Republic make diversity management necessity for companies that want to thrive in the current highly competitive and uncertain business environment. In connection with the strategy of the EU and the Czech Republic and their orientation to innovation it is necessary to realize that the innovation potential is formed primarily by people as the bearers of this knowledge but this knowledge comes into existence more and more in cooperation with other co-workers in diversity teams. „Employee diversity is often considered to be positive since it might

**Tab. 1 Characteristics of diversity management implementation**

Monitored characteristics	T-Mobile Czech Republic, a.s. (JSC)	Kraft Foods CR Ltd.	Nestlé Česko Ltd.	Komerční banka, a.s. (JSC)	IBM ID Centre Brno	Česká spořitelna, a.s. (Czech Savings bank, JSC)
<b>CSR line: people</b>	company philanthropy, support of communities, employees involvement	support of necessary social groups, charity	shared values principle	civic society development charity, volunteering, equal opportunities	educational programs, gender issues, company volunteering	equal opportunities company volunteering, employees involvement, charity
<b>Diversity integration into organisational culture</b>	diversity as part and value of org. culture	inclusive organisational culture	open diversity culture	equal opportunities respect to individuality as values of org. culture	respect and openness as org. culture values	equal opportunities, mutual respect, as part of org. culture
<b>Diversity strategy</b>	YES	YES	YES	YES	YES	YES
<b>Diversity aspects and their integration</b>						
<b>Workforce Diversity</b>	full Integration	full integration	full integration	full integration	full integration	full integration
<b>Behavioural Diversity</b>	partial integration	partial integration	partial integration	full integration	full integration	partial integration
<b>Structural Diversity</b>	partial integration	full Integration	full integration	full integration	full integration	full integration
<b>Business Diversity</b>	full integration	full integration	full integration	full integration	full integration	full integration
<b>Defining fields of diversity management</b>	equal opportunities „Fair Share“, work-life balance	talent diversity, work-life balance, equal opportunities	talent diversity, support of parents on maternity/ paternal leave, work-life balance	equal opportunities for specific groups, work-life balance, support of talents	gender diversity, people with disabilities, cultural adaptability, work-life balance	equal opportunities-gender, age and nationality diversity, harmonizing work and family
<b>Awards related to CSR and diversity</b>	<b>T-Mobile YES</b> e.g. 2010 and 2012 – 2 <sup>nd</sup> place in Company of the year – equal opportunities, 2011 – Top responsible company award					
	<b>Kraft Foods YES</b> e.g. 2009 – Best Social Responsibility Practice award, Woman Engineer Magazine award for proactive approach to employed women					
	<b>Nestlé Česko YES</b> e.g. 2012 – competition Top responsible company – 2 <sup>nd</sup> place – Workplace of the future					
	<b>Komerční banka YES</b> 2008 – 3 <sup>rd</sup> place in the competition Company of the year: Equal opportunities, 2012 – title The most desirable employer of the decade					
	<b>IBM ID Centre Brno YES</b> 2008, 2009 a 2010 – 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> places in the competition Company of the year: Equal opportunities					
	<b>Česká spořitelna YES</b> e.g. 2011 – 1 <sup>st</sup> place in the competition Company of the year: Equal opportunities, 2011 – title Workplace of the future in the competition Top responsible company					

Source: own processing

create a broader search space and make the firm more open towards new ideas and more creativity. Ideally, diversity should increase a firm's knowledge base and increase the interaction between different types of competences and knowledge." [21]. Therefore employee diversity cannot be ignored in the relation to the innovation capabilities of organization [13]. Consequently, workforce diversity may be considered as one of the prerequisites for successful company innovations.



The presented case studies provide insight in the nature of successful diversity management implementation and offer a helpful way how to apply diversity policies and programmes in other companies. The results of the research indicate that companies promote diversity as a business case as well as social responsibility. Furthermore, the findings support the necessity to have diversity strategy and to adopt proactive approach to managing diversity with the aim to create an organization environment in which all employees can contribute and reach their full potential.

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