

# Evolution of Diversity Management Initiatives Among Multinational Firms : Lessons From Developing Economies

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## ABSTRACT

In a bid to address the daunting challenge, multinational organizations must build a culturally sensitive global base by adjusting to diversity through the development of a new corporate culture that will work naturally for all. This culture has not yet been fully developed, although companies such as, Nestle, Unilever, McDonalds etc are making the effort. This review revisits the evolution of human resource management in multinational firms especially in Sub-Saharan Africa and the progress towards the building up of a diversified workforce. It explores the phases of diversity in these multinational organizations and measures adopted to overcome these challenges. The review ends with an overview of the prospects of diversity management for the future growth of these multinational.

**Keywords:** Human Resource Management, MNC, CIPD

## I. INTRODUCTION

According to Thomas and Ely (2006) the creation of diverse workforce is the greatest challenge for corporations in a globalised world. In a bid to address the daunting challenge, multinational organizations must build a culturally sensitive global base by adjusting to diversity through the development of a new corporate culture that will work naturally for all. This culture has not yet been fully developed, although companies such as, Nestle, Unilever, McDonalds etc are making the effort (Bell & Berry, 2007). According to Robert Roosevelt Thomas, pioneers will be needed to forge and solidify this new area of management and business. He envisions that diversity will be fully achieved and effectively managed only "in such a way as to get from a heterogeneous work force the same productivity, commitment, quality, and profit that we got from the old homogeneous work force (Schäffner, et al, 2006). This review revisits the evolution of human resource management in multinational firms especially in Sub-Saharan Africa and the progress towards the building up of a diversified workforce. It explores the phases of diversity in these multinational organizations and measures adopted to overcome these challenges. The review ends with an overview of the prospects of

diversity management for the future growth of these multinational.

### Evolution of Human Resource Management in Global Organisations

The human resource policies of multinational organizations have traditionally been based on the assumption that sustainable long-term success depends on the capacity to attract, retain and develop employees into a key success factor. Since time immemorial multinational organizations have hired employees with personal attitudes and professional skills that can benefit them for a long time. This required the organizations to pay special attention to ensuring strong alignment between a candidate's values and the organization's culture (Schäffner, et al, 2006).

Thus employment was based on merit and focused on relevant skills, experiences and adherence to the organization's principles as opposed to origin, nationality, religion, race, gender, disability, sexual orientation or age. To secure this process of unadulterated human resource decision making in global firms, human resource managers in these organizations were equipped with the requisite tools and techniques to improve the hiring process (Kang, 2014). Moreover, in

most of these organizations, line managers had the prime responsibility to build and sustain an environment with a strong work ethic and high sense of personal commitment to work.

Line managers developed the leaders of tomorrow and decided on all people matters under their influence, within the boundaries set by the policies and principles, acting as the final decision makers (Chattopadhyay, et al, 2004). In most of the traditional multinational organizations, the Human Resources (HR) structure was designed to enable and empower managers to establish business needs and their corresponding people requirements. Therefore, the mission of HR managers and their teams was to provide professional guidance to line managers aiming to deliver superior business results by optimising the performance of people, while ensuring exemplary working conditions.

Before the turn of the millennium many HR multinational organizations adopted a streamlined approach to ensure functional leadership and the highest level of focus, clarity, and efficiency (Schäffner, et al, 2006). The new HR structure sought to reemphasize the provision of a safe and healthy work environment, and flexible employment possibilities that support a better balance of private and professional life consistent with its ambition of being truly a global citizen. This includes emphasis on providing flexible working conditions whenever possible and encouraging employees to get involved in community development. At this point in time, line managers were required to take personal ownership of health and safety of employees within their area of responsibility and were encouraged to build an employee-employer relationship based on trust and respect of employees at all levels (Dwyer et al, 2003).

This was further boosted by the insistence on the need to avoid any form of harassment or discrimination and rather commit to build and sustain, with their teams, an environment of mutual trust, respectful dialogue and employee participation in high level decision making. In the early 1990s, a new dimension of employee management emerged to advance the frontiers of employee engagement. This new approach which is espoused in studies such as Early and Mosakowski (2000) argues that attracting new hires and keeping current employees engaged is not only about remuneration and benefits based on solid performance. It is also about the hard earned value and trust that the name brings to those who work with them; the relationships with the line

managers and fellow workers; recognition and experiences enjoyed while working for a diverse global company; and possibilities to learn and grow (Jehn and Beznkova, 2010). In this regard, multinational organizations at this point in history focused on fixed pay, variable pay, benefits, personal growth and development and work life environment etc as the key elements that define total rewards. In the spirit of developing a high performance culture, these elements need to correspond to what is valued by employees in each and every market, and which demonstrate how organisations are committed to giving each employee the opportunity to grow, evolve and contribute (Lau and Murnighan, 2005). As Kim, et al (2009) explains, this era of human resource management also saw the advocacy for total rewards programs to be established within the social and legal framework of each country, and with respect to applicable collective agreements (Kearney & Gebert, 2006). Every manager had a responsibility to propose the remuneration of their employees within the framework of company policy, sufficient time is spent with each employee to explain his or her specific situation in terms of remuneration and benefits, if needed with the support of HR management, in order to communicate properly, clearly and with sufficient transparency (Hutzschenreuter & Horstkotte, 2013).

A major theme of human resource management in the mid 90s was the learning organization. According to advocates of this concept, learning must be part of the core culture of multinational organizations and employees at all levels must be systematically encouraged to consider how they upgrade their knowledge and skills (Menard-Warwick, 2009). Multinational organizations were tasked to determine training and development priorities and appoint competitive line managers to take responsibility of turning these into actions within an atmosphere of shared relationship between employers and employees. Experience and on-the-job training were the primary source of learning at most MNCs (Kelly & Dobbin, 1998). With that the managers guide and coach employees to succeed in their current position while employees understand the importance of continuous improvement, as well as sharing knowledge and ideas freely with others. Practices such as lateral professional development, extension of responsibilities, and cross functional teams are encouraged to acquire additional skills, enrich job content and widen accountability

(Gibson, et al, 2003). A review of the practices of a number of global enterprises shows that they offered a comprehensive range of training activities and methodologies to support everyone's learning and growth (Klein & Harrison, 2007). Attending a program was never considered as a reward but as a component of on-going development. Additionally, corporate leadership programs helped to develop and retained the best-qualified management. Not surprisingly, a high performance culture supported by differentiated rewards and development became the key to the delivery of individual and business objectives (Chen, 2011). This was because of the alignment of clear and challenging responsibilities and ensuring that employees are aware of how their work impacts their organisations. The line manager and employee work together to ensure that challenging objectives are set and effectively evaluated throughout the year. This further enables managers of the MNCs to acknowledge high performance and reward employees accordingly, while managing low performance with integrity (Schäffner, et al, 2006).

In this concept of organization, employees received regular feedback on their performance and career aspirations through a variety of tools and processes such as the Performance Evaluation process (PE), the Progress and Development Guide (PDG) and 360° assessments. Each manager dedicated the necessary time to the monitoring of objectives and regular coaching of employees through the year (Kochan, et al, 2003). Each employee at the MNC firms of the mid 90s, supported by the line manager, was in charge of his or her own professional development, whereby the employee is encouraged to express career objectives and expectations in an open dialogue. They took responsibility to retain and motivate employees by offering attractive but realistic career moves that allows them to develop their skills in the long-term.

According to *Earley and Ang (2013)* MNCs in the mid 90s focused more on building a culture based on values of trust, mutual respect and dialogue. Employees worked daily to create and maintain positive individual and collective relationships, and were expected to do so as a core part of their job. The MNCs did not only uphold the freedom of association of its employees and the effective recognition of the right to collective bargaining, but also ensured that direct and frequent communication was established in the workplace (*Becker, 2015*). While dialogue with trade unions was essential, it did not

replace the close relationship that its management maintained with all employees. In the spirit of continuous improvement, MNCs in the mid 90s encouraged two-way dialogue with its employees that went beyond the traditional aspects of collective bargaining in order to share knowledge and to jointly find opportunities related to important matters such as creating shared value, the health and safety in the workplace and our concern for the environment (*Ang, and Van Dyne, 2008*). The companies and employee representatives were expected to make all necessary efforts to develop fair and constructive dialogues, overcome the difficulties that they might encounter, reach sustainable agreements and implement them.

This means a commitment to continuously establish flat and flexible structures with minimal levels of management and broad spans of control, which enable people development, increase efficiency, and ease implementation of its management philosophy. Less hierarchical layers call for increased cooperation between colleagues. This is what made the organisations more flexible and more accountable (Patrick and Kumar, 2012). Indeed, it supported today's and tomorrow's business requirements for an agile and innovative company working with ever competitive intensity. These simple beliefs inspired MNCs of the mid 90s to create an environment that put the emphasis not just on individual responsibility and autonomy, but also on a strong willingness to support others, to work in multi-skilled teams, and to cooperate rather than to compete internally (Schäffner, et al, 2006). As dynamic organizations, they created a climate of innovation and allowed people to think from different perspectives. These MNCs encouraged its employees to take risks and make mistakes as there was always a willingness to correct and learn from them. The MNCs combined the scope and brand strength of a global company with the creativity and knowledge of a local business. As a result, people can have far-reaching influence every day and explore their full long-term potential, propelled by continual support and a collaborative approach by line managers and employees.

### **The Emergence of Diversity Management in MNCs**

According to Richard, et al (2004) a major influential leadership issue that confronts today's multinational organizations is the ability to manage diversity among its workforce. As Richard, et al (2004) put it, this is not a

completely disintegrated concept from the previous areas of human resource concentration but simply an addition to the ever evolving complexity of contemporary business management in the midst of a globally integrated economic system. To balance the dynamics of multicultural environment, most MNC believe in local recruitment to manage new offices so as to maintain significant links between the company and the locality. They adopt job rotation and move employees who have distinguished themselves in one location to help out in other areas where their services will be noted and this usually take the form of internal promotions (Halkias, 2010).

For this reason people of varying cultural backgrounds are brought together to work in the same team and the ability to manage these teams successfully is critical to organisational success. In as much as most MNCs in sub-Saharan Africa tries to avoid policies that are absolutely grounded on procedural rigidity due to the low uncertainty avoidance culture of most of these countries, they also believe some moderate procedures, rules allow individual to better demonstrate their skills and competence if that is done within a corporate culture that respects the individuals uniqueness. This is part of the element of transactional leadership which distinguishes emerging MNCs especially in the extractive industry organizations in Sub-Saharan Africa. Under the leadership of its internationally recruited CEOs and board of directors, MNCs have developed its guidelines and operations to be good employers wherever they operate. Even in countries where the laws and regulations are not adequate modern MNCs apply their international standards to help maintain standards across the length and breadth of the globe. As organizations whose activities are shaped by respect for the individual, the modern MNCs ensure fair and equitable wages and salary policies, favourable and equitable distribution of working hours and offering employees and investors their freedom to associate with the opportunity for growth and development within the company ( Martin, 2013).

Contemporary MNCs believe that it is essential to cooperate with organised labour if they want to attain the highest level of global competitiveness. In the attempt to promote internationalization, MNCs are careful in maintaining its domestic-international hybrid identity, culture of simplicity, moderation, team work etc and this reflects in the companies; products, prices, promotional

strategy, placements strategy, people, physical evidence and processes.

Another area where diversity leadership and management is demonstrated in the context of modern MNCs in sub-Saharan Africa is the importance they attach to organisational behaviour success factors such as personality development and empowerment of the human resources. This is addressed irrespective of the person's background because of the knowledge that it is the basis for employees to grow within the confines of the organization as they work. Firstly the companies use a number of measures to empower employees such as supervisors and lower level managers by giving them some reasonable space to take independent decisions, and also manage their offices as if they were entrepreneurs even though they must operate within a set of guiding principles. MNCs in Sub-Saharan Africa seek to solicit and increase the total loyalty and unconditional commitment of their strategic employees to the company and to help them become great motivators (Walker, 2012). They have a strong motivational policy aim at providing total reward and also eliciting intrinsic motivation (Organisation Ghana Ltd, 2010). MNCs in Sub-Saharan Africa ensure that there is better learning and development in the organisation by integrating both on the job and off the job training opportunities for its employees as part of the companies HR strategy. Learning and development is perceived as a continuous process and viewed as the basis for promoting innovation and motivation in a high consumer sector where competitive advantages is largely gained through employee motivation and the extent to which innovative products are rolled onto the market each time (Dw yer, 2010).

By sending new recruits to different offices to gain valuable experience and sending experienced employees to new offices to support new local recruits during the intensive opening period activity, the companies reduces the learning curve and save the cost which would have otherwise being incurred in wastages by new recruits and stress of monotony by old recruits. These HR strategic initiatives in turn make significant contributions to the organizational goals of continuing growth and profitability (Organisation Ghana Ltd, 2011).

MNCs in Sub-Saharan Africa believes in the Expectancy Theory that states that employee or people in general

will likely give their very best to any venture where they are inclined to believe that the outcome will compensate for the effort they are putting in the organisation. By allowing employees to be as free and innovative as possible the company believes in the ability of its employees to shape its results and improving it in big and small ways. The various concepts that can be adopted to increase performance (like job satisfaction as a reward management tool) are very effectively employed and as the employees themselves state, "I'm happy to be here and every day is a challenge" (Organisation Ghana Ltd, 2014).

Performance Management is also another area where diversity management is addressed in the case of organization. This is done by the company by strategic and integrated approach to achieve improved performance of its employees (Organisation Ghana Ltd, 2010). An essential philosophy of MNCs in Sub-Saharan Africa is that there is a close relationship between the growth of employees and the growth of the organization (Organisation Ghana Ltd, 2014). Supervisors daily review the business of their subordinates as part performance management process. With this approach the most MNCs seeks to promote a practice where employers and employees work together by agreeing on what needs to be done and how it is done (Organisation Ghana Ltd, 2013). This collaboration between managers and subordinates helps the managers to better plan, prioritize and develop his or her sales team so that it will focus on the customers within their environment.

Another aspect of leadership at MNCs in Sub-Saharan Africa that demonstrates the kind and quality of leadership they have is about how it links people to the strategic business needs of the organizations. Most of them believe that to survive and prosper in today's competitive environment they must develop business models that reduce cost and maximize opportunities. This is done in by ensuring that the design of products is done internally and centrally while outsourcing those they lack the skills and time to manufacture at the least cost possible (Organisation Ghana Ltd, 2012)

MNCs in Sub-Saharan Africa have become successful, grown and expanded because they have formatted their leadership and management strategy in line with their corporate strategy. They manage all the components of human resource management and marketing effectively in order to make sure that its core values are upheld in

all parts, regardless of country and cultural differences through strategic and coherent approach that makes them recognize the human resources as the organisation's most valued assets.

### **Countermeasures to Optimise Diversity (Hr) Management in MNCs in Sub-Saharan Africa**

The above exposition shows that in their approach to diversity management historically, employers ignored touching certain detail differences which remain core to contemporary diversity management. In other words detailed individual and group diversity needs to be considered in order to ensure that everybody's needs and requirements are understood and responded to within employment practice and service design and delivery. One way in which organizations have responded to the issue of diversity in recent years has been the development of flexibility in working practices and services. For example, an employer may allow an employee to work a flexible working pattern to accommodate child care arrangements, or a GP surgery may offer surgeries at the weekends in accommodate those who work full time during the week. Another example of diversity in practice was shown by Worcestershire County Council in 2002 when they launched, 'Worcestershire - We All Make It Unique.'

This was a four phase race diversity communication and training program designed specifically to raise awareness among employees and to improve customer service, particularly in the larger ethnic minority communities that it served. This example shows quite starkly that organizations situated in seemingly ethnically homogenous locations, who claim that diversity is not relevant for them, may need to look more closely at their customers and the sub-regions and divisions of the locality in which they operate because these may have greater diversity and differing requirements (CIPD, 2009). Hence why, employer engagement is a vital driver for organization's top and bottom-line performance. Employer engagement can be broadly defined as employers consistently acting in the best interests of the organization and in this context it is linked to raising public awareness. These in turn, inform intersecting relationships between employer skills needs and education (work-based learning), educational and workplace competency, and quality (accreditation of employer based training, and credit accumulation and transfer systems) and vocational competency (fit for

practice, and fit for purpose), Human resource managers must be willing to work towards changing the organization in order to implement a culture of diversity and inclusion. There is a compelling business case which should encourage organizations to look beyond legal compliance with anti-discrimination laws to a value-added approach enabling competitive benefits to be gained from developing good practice. Therefore diversity strategies need to be designed to support business objectives and strategies to add real value to business performance. Just 'doing' diversity for cosmetic reasons is misguided and can result in undesirable outcomes such as raising expectations through false promises.

When implementing a diversity program it has to go far beyond the limits of equal employment opportunity and affirmative action. High performing diversity managers recognize that specialized skills are necessary for creating a productive, diverse workforce. They seek out continuous learning opportunities and some go as far as acquiring certification. Assessment skills and diversity education are key elements of culture change. However, the leadership's support of the change cannot be understated. Effective communication is very crucial in implementing a diversity program. Brownell's (2003) article identifies three skills which help to develop effective communication in diverse organizational environments. These skills include self-monitoring, empathy, and strategic decision-making. Self-monitoring refers to the communicator's awareness of how his or her behavior affects another person, empathy enables the receiver to go beyond the literal meaning of a message and strategic decision-making implies that the sources, channels and substance of the messages conveyed, are mindfully selected, Adam (2007).

The key to implementing a diversity approach is increasing individual awareness of and sensitivity to differences of race, gender, social class, sexual orientation, physical ability, and age Page (2007). There are several ways to go about creating the multicultural organization that performs extremely well. For example, Cox mentions language training as a way to promote a multicultural organization. Language training is important for companies hiring foreign nationals. This type of training helps to communicate to employees that languages, other than English, are highly valued. In addition equal opportunity seminars, focus groups, bias-reduction training, research, and task forces are methods

that organizations have found useful in reducing culture-group bias and discrimination Fine (1980).

While diversity in the workplace brings about many benefits to an organization, it can also lead to many challenges. It is the responsibility of managers within organizations to use diversity as an influential resource in order to enhance organizational effectiveness. Walck (1995) defines managing diversity in the workplace as negotiating interaction across culturally diverse groups, and contriving to get along in an environment characterized by cultural diversity.

In other words diversity management entails much more than providing same opportunity for employment. Managers should realise that change occurs in a slow pace, but yet should continue to encourage change. Dealing with diversity at MNCs also requires providing a secure environment for managers and workers to communicate, such environments includes social gatherings and business meetings where every member feels comfortable to be and creates a friendly atmosphere to speak freely as well as listen to others. Mentoring programs should be implemented to guide employees on how to access information. Constructive feedbacks should be given to the employees after they have learnt about their mistakes and when they are successful in implementing the lessons learnt to achieve success. In that regard different diversity management frameworks can be employed by Organisation depending on the company's external and internal conditions. Some of these include the MBI model, the liberal change model, radical change model, and transformational change model.

MNCs in Sub-Saharan Africa must adopt a liberal change approach to diversity management. The liberal concept recognizes equality of opportunity in practice when all individuals are enabled freely and equally to compete for social rewards. The aim of the liberal change model is to have a fair labor market from which the best person is chosen for a job based solely on performance. To support this concept, a framework of formal rules for diversity management must be created and frequently reviewed and managers and supervisors must be responsible to ensure that these rules are enforced on all so none shall be discriminated against. The liberal-change approach centers on law, compliance, and legal penalties for non-compliance. One weakness of the liberal view is that the formal rules cannot cover every

aspect of work life, as there is almost always an informal aspect to work such as affinity groups, hidden transcripts, and alternative informal communication channels.

The adoption of idealised influence in diversity management can be an important source of competitive strength for MNCs in sub-Saharan Africa. Idealised influence reflects the extent to which Organisation Ghana Ltd's leaders orient their employees to build strong trust and faith. The company must have a policy where leaders are supposed to respect its employees and show commitment or being dedicated to helping them to find their course in the organisation. MNCs must believe that every individual comes into the organisation with his or her own aspirations and desires and it is not by overriding the individual's aspiration that will ensure its success. MNCs must rather encourage their employees to subordinate their own goals to the goals of the organisation and develop theirs alongside in a way that ensures mutual trust and development.

According to Walker (2012) diversity management also requires inspirational motivation. Leaders in MNCs in Sub-Saharan Africa must use appropriate symbols and images to help employees get a better focus on their work. MNC's leadership philosophy must be for all of its leaders to create a conducive working atmosphere in which employees feel recognised or significant, given attention, resources and respect despite their background or group affiliation (Walker, 2012). The employee must be developed and supported to consolidate know that he or she is equally valued in relation to other employees. In this way MNCs in Sub-Saharan Africa can ensure that at the workplace any tendencies, attitudes and action or inactions that demonstrate discrimination in one form or the other is removed and rather a level playing field is created for all employees to relate to each other. With fair minded leadership all forms of envy and hatred among employees which has the potential to create disharmony is reduced if not completely eradicated.

Another area where MNCs in Sub-Saharan Africa must focus in order to build strong diversity management is to promote intellectual stimulation among its employees. The leaders must encourage their subordinates to be creative to better analyse and design solutions to solve the competitive puzzle especially those that bother on diversity faultlines in order to reduce the pressure on diversity related conflict. MNCs in Sub-Saharan Africa leaders must support employees to build enough

confidence to be able to come out with new solution and approaches to solve diversity challenges among themselves. There must be a continuous effort on the part of the leaders to create a very tolerant organisation, nurture people to question their own values and beliefs and be willing to be more responsible in order to achieve the goals of the organization.

It is also necessary for MNCs in Sub-Saharan Africa to use rewards scheme to incentivize efforts to promote diversity at both the individual and departmental or organization level. MNCs in Sub-Saharan Africa must influence and encourage employee to do support diversity management tasks in return for certain rewards where possible. The company must be able to give clear instructions as to how people should work, when they should work, how they should work and how they will be rewarded for their work they do in relation to diversity management. When employees are rewarded by their leaders, their interest and loyalty in maintaining a cohesive organisation is constantly stimulated since they feel that their effort is being recognized. This is also consistent with the expectant theory which states that because employees know how much will come from their effort they are able to put in place appropriate measure and strategies to deal with them

## **Conclusions of Research**

In the epoch of globalization and increasing international trade, it is inescapable that dissimilar backgrounds and orientation will congregate. Employees from diverse backgrounds have difficulty to communicate due to language barriers as well as cultural differences. Thus the international human resource managers must consider various aspects when dealing with diversity situations and barriers that affect employee selection, executing training program and remuneration. From the study, it is evident that diversity management helps to create a suitable workforce for the organizational settings. The analysis has also indicated in the case of MNCs in sub-Saharan Africa some of the intricate benefits it is gaining or stands to gain if it effectively implements employee diversity schemes. Thus it goes without saying that managers of prominent organizations such as MNCs in Sub-Saharan Africa who have a diverse workforce must create an enabling condition for all of them to freely express themselves, building consensus between different cultures, values, race, gender, and ethics as well as facilitating the development

of different skills (including language acquisition and language adjustments, adaptation skills for employee, organisation and management) (Child, et al, 2005). International managers are therefore faced with forming management practices especially human resource practices underpinned with universal standards yet managing diversity and enhancing and creating adjusting conditions for all employees to work (Kamoche, 2002). Managers faced with this diverse organisation must ensure that the human resource function meets or exceed the socio-cultural and political-economic scenario and their employees are equipped to cope with any changes in the environment as and when it occurs (Kamoche, 2002). The International manager has to understand global standards of human resource practices and implement them where they are nonnegotiable while managing recruitment, selection, job designing, training and development, compensation and benefits packages to suit the different needs of the environment and employees (Hope & Mühlemann, 2001).

In this environment the effective international manager is expected to champion the development of an organisational capability that creates sustainable performance by being able to harness the diverse workforce to add value to the organization in a manner that benefits both employees and the organisation (Leung, et al, 2005). Faced with a multiplicity of employees with differences in age, culture, race, gender, religion, language, physical abilities, educational and economic background, there is the potential for conflict to occur in the organisation hence the international manager is expected to act dynamically to manage conflict and diversity oriented challenges by creating favourable conditions of work (Schuler, 2000).

Being knowledgeable about different cultures and values, the international manager must train and develop their staff minimise the problem created by diversity as in communication between members of the organisation. Most importantly the issue of 'expatriate strain' is a very delicate issue for international business organisations. International managers must deal with people who have left their family and home to work in different countries. These people are faced with both emotional and psychological challenges to manage which if left unmanaged can affect their motivation and productivity (Schuler, 2000). International managers have a responsibility to manage these subconscious issues

which assail their staff in order to enhance their full commitment and productivity.

It is because of the above issues that the international market literature suggests that international managers must not simply be general managers but they should have peculiar skills, training, competencies and capabilities that enable them to appropriately support their staff and to deliver on their core mandate (Tsui, 2007).

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