

## **Managing diversity through human resource management: an international perspective and conceptual framework**

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This paper critically reviews the literature on managing diversity through human resource management (HRM). We discuss the major issues and objectives of managing diversity and examine the state of human resource diversity management practices in organizations. Our review shows that inequality and discrimination still widely exist and HRM has focused mainly on compliance with equal employment opportunity (EEO) and affirmative action (AA) legislation. Less attention has been paid to valuing, developing and making use of diversity. Our review reveals limited literature examining how diversity is managed in organizations through effective human resource management. We develop a framework that presents strategies for HR diversity management at the strategic, tactical and operational levels. Our review also discusses the implications for practice and further research.

**Keywords:** affirmative action (AA); diversity management; equal employment opportunity (EEO); human resource management

### **Introduction**

Workforce diversity acknowledges the reality that people differ in many ways, visible or invisible, mainly age, gender, marital status, social status, disability, sexual orientation, religion, personality, ethnicity and culture (Kossek, Lobel and Brown 2005). However, the predominant diversity issues in each country are different. While gender inequality is the oldest and most common diversity issue worldwide, religion and ethnicity separate people in India and Middle East and household status (*hukou*) differentiates off-farm migrants from urbanites in China. Chinese rural migrants are routinely looked down on by urbanites and mistreated at the workplace and in society. Multiculturalism has always been the most important dimension of diversity in Western countries, including the EU nations, Australia and New Zealand, where there are a large number of international migrants with diverse cultural backgrounds. Racial equality appears to be the predominant issue in both USA and South Africa where there has been a long history of systematic discrimination against blacks and other ethnic minorities. Although researchers have examined several aspects of diversity, no comprehensive model exists. In this paper we review the literature on diversity practices in the area of human resource management (HRM). We also develop a conceptual framework which will help organizations develop HRM strategies and policies to manage diversity effectively. Our framework will also help researchers identify key areas for future research and guide practitioners to formulate and implement diversity appropriately.

A diverse workforce comprises a multitude of beliefs, understandings, values, ways of viewing the world, and unique information. Rapid internationalization and globalization

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has enhanced the significance of workforce diversity. A cross-cultural and multicultural workforce is a common thread not only in organizations in western economies but also in corporations globally. As a result, diversity has increasingly become a “hot-button” issue in political, legal, corporate and educational arenas. However, the attitudes towards a diverse workforce in these corporations and from researchers have been very mixed. The organizational attitudes range from intolerance to tolerance and even appreciation of diversity (Joplin and Daus 1997).

On the one hand, a large number of corporations are reluctant to hire and promote female employees and ethnic minorities, especially for senior positions. Some studies have found that some HRM diversity practices are not associated with increases in diversity. For instance, Rynes and Rosen (1995) argue that the adoption of diversity training does not increase top management diversity and overall workforce diversity. Blum, Fields and Goodman (1994) found that companies with higher diversity tend to provide lower salaries and have higher employee turnover.

On the other hand, there is a wide recognition of the value of workforce diversity. Research by the Australian Centre for International Business (ACIB) indicates that diversity improves the quality of management’s decisions, and provides innovative ideas and superior solutions to organizational problems (ACIB 2000). Empirical evidence shows that firms that have effective diversity management stand to benefit through bottom line returns. Information sharing and constructive task-based conflict management are the keys to the ‘value in diversity’ argument. Managing diversity is premised on recognition of diversity and differences as positive attributes of an organization, rather than as problems to be solved (Thompson 1997). McLeod, Lobel and Cox (1996) and Wilson and Iles (1999) found that a diverse workforce has a better-quality solution to brainstorming tasks, displays more cooperative behavior, relative to homogenous groups, and can raise organizational efficiency, effectiveness and profitability. In addition to the full utilization of the skills and potential of all employees, managing diversity effectively can contribute to organizational success by enabling access to a changing marketplace by mirroring increasing diverse markets (Cox and Blake 1991; Iles 1995; Gardenswartz and Rowe 1998) and improving corporate image (Kandola 1995). Therefore, valuing diversity may become a source of competitive advantage, increase the quality of organizational life and ultimately be good for business (Cassell 1996). The popularity of the diversity approach stems from these positive arguments.

However, scholars suggest that the potential benefits will not come into being simply because of greater workplace diversity. Thomas (1990) pointed out that corporate competence counts more than ever, and today’s nonhierarchical, flexible, collaborative management requires an increase in tolerance for individuality. The question is not, therefore, one of accepting that individuals are different but creating an atmosphere of inclusion and making a commitment to valuing diversity. Past research has suggested that managers should actively manage and value diversity. If designed and implemented properly, effective diversity management can support key organizational development initiatives (Agocs and Burr 1996; Liff and Wajcman 1996; Storey 1999). Managing diversity has its origin in the USA (Kandola and Fullerton 1994), but has now become a strategic business issue for organizations worldwide (Wilson and Iles 1999).

The key to diversity management hinges on strategic thinking and people-centred policies. While diversity management is an approach that revolves around employees, the HRM function is the custodian of the people management processes. These functions have considerable overlap. First, both HRM and diversity management are mainly

concerned with the contribution of the human resource function to business strategy. Second, both HRM (especially soft HRM) and diversity management are concerned with individual differences, the development and well being of each and every individual (Truss, Gratton, Hope-Hailey, McGovern and Stiles 1997). Past studies concluded that using the HRM toolkits addressing inequality in recruitment, appraisal, advancement and reward can enhance equal employment opportunity, improve inclusiveness and enhance creativity in a diverse workforce (Konrad and Linnehan 1995; Burbridge, Diaz, Odendahl and Shaw 2002; Goodman, Fields and Blum 2003). The Ford Foundation study of non-profit boards shows a cascading effect from hiring practices. These diverse board members made subsequent recruitment easier through their access to networks and talent pools. Hiring more female or minority board members resulted in greater diversity in recruitment (Burbridge et al. 2002). Research by Goodman et al. (2003) revealed a positive relationship between emphasizing employee development and promotion, and the representation of women. Other studies have confirmed the association between identity-conscious or formalized HRM practices which address demographic representation in human resource decision making and greater representation of women and minorities in managerial positions (Kalleberg, Knoke, Marsden and Spaeth 1994; Konrad and Linnehan 1995). It is, therefore, widely recognized by researchers that effective diversity management can be achieved through using appropriate HRM strategies (Litvin 1997). HRM strategies are critical in overcoming individual and group process problems while improving the triple bottom line. Effective HR strategies focus on increasing organizational learning, flexibility, knowledge creation and the development of a work environment which is conducive to diversity management. Diversity management has a place in HRM and should be at the heart of human resource practices and policies.

Yet, there has been no empirically proven association of HRM diversity practices with increases in diversity and improved organizational performance. In the mid 1990s, several scholars commented that diversity research lacked scientific precision, theoretical analysis, historical specificity, empirical grounding, and had been seriously under researched (Nkomo and Cox 1996; Sanchez and Brock 1996; Litvin 1997). Later, Maxwell, Blair and McDougall (2001) highlighted the potential disparity between espoused organizational rhetoric on managing diversity, and the reality of organizational practices in key human resource areas. Most past studies, such as Blum et al. (1994) and Rynes and Rosen (1995), regarded HRM diversity practices only as compliance with AA and EEO and neglected the practices appreciating and making use of diversity. Surprisingly, there is no evidence showing such a situation has changed drastically over the past decade. Researchers have not investigated how diversity has been managed in the HRM area and what HRM approaches are appropriate to manage diversity effectively. We argue that the reason for this absence is actually a lack of effective HR diversity management practices in organizations. In order to provide theoretical support to our argument, we conducted a critical review of the existing literature on diversity management through HRM.

Our extensive introduction has outlined the objectives of our review study. We structure the rest of our paper as follows: First, we examine the state of HR diversity practices that have been adopted in organizations worldwide; second, we develop a conceptual framework of HR diversity management linking HR diversity strategies with major HR diversity issues and objectives; and finally we discuss the gaps in the literature and the implications of our findings for practitioners and researchers.

**Major issues and objectives of HR diversity management**

Effective diversity management has historically been used to provide a legally defensible position against charges of discrimination. A firm with a diverse workforce could argue in legal proceedings that they were not guilty of discrimination since their workforce demographics represented the local community. However, there has been considerable debate on the areas of difference between equal opportunities and managing diversity in literature. Equal Employment Opportunity (EEO) and Affirmative Action (AA) are to a large extent, a product of the civil rights movement of the 1960s and the liberal political philosophy (Webb 1997). Diversity Management is 'a movement away from or an alternative model to traditional EEO policies and practices or the second generation of EEO' (Thompson 1997, p. 195). In contrast to the negative perspective of discrimination against staff in EEO the emphasis of diversity management is on a positive perspective of differences among all individuals (Maxwell et al. 2001). Diversity management does not only recognize but also values and harnesses workforce differences, such as individual characteristics, backgrounds, orientations and religious beliefs, so that individual talents are being fully utilized and organizational goals are met. While EEO is primarily driven by legislation, diversity management is driven by the business case (Kandola and Fullerton 1994). Diversity management takes advantage of the growing cultural pluralism that results from the internationalization of business, development of world markets, growing workforce mobility, and the increasing awareness of individual differences (Lawler 1996). Equal employment opportunity starts externally and is enforced through legislation, whereas diversity management starts internally, through the efforts to create an atmosphere of equality and a fully inclusive organizational culture at work (Gordon 1995). These discussions lead to a conclusion that while diversity management includes a commitment to EEO and AA, the actual scope of diversity management is a lot broader (Kossek et al. 2005). First, diversity management seeks to overcome labour market segregation through addressing inequalities based on individual differences, such as race, gender and class (Horwitz, Bowmaker-Falconer and Searll 1996). Second, diversity management emphasizes valuing and taking advantage of individual differences, mainly cultural pluralism, in order for all people to maximize their potential, which is beyond legal compliance-oriented equal employment opportunity.

Through the strategic deployment of a diverse workforce, organizations seek to achieve competitive advantage (Storey 1995). There are a range of objectives organizations wish to achieve through effective HR diversity management. At the top is compliance with legal EEO and AA requirements. Other objectives include mainly creativity, flexibility, employee attraction, employee retention and better marketing capabilities. Through effective diversity management, diverse teams aim at achieving greater innovation and creativity, enabling them to outperform homogenous teams (Cox and Blake 1991; Richard 2000). While there is evidence that short-term progress is affected by conflict and communication problems, by bringing a wider range of perspectives to problem solving, diverse teams foster speed and innovation and produce substantially higher quality solutions over whole development cycles. Moreover, by bringing equality to employment relations, organizations tend to attract and retain an adequate and qualified workforce. Cox and Blake (1991) argued that the benefits of effective diversity management include reducing turnover, absenteeism and attracting the best candidates as the labour market shrinks. Past research indicates that those individuals who belong to the 'dominant' group within an organization tend to have higher job satisfaction and commitment as they experience higher co-worker support, superior

rewards, access to adequate resources, and greater autonomy (Kossek et al. 2005). For those outside the dominant group within an organization, job satisfaction can be lower, particularly where they do not have access to equal rewards or advancement opportunities. In addition, tendencies for people to form in-groups and out-groups can affect job satisfaction, and impinge on supervisor, subordinate and co-worker relations. Furthermore, by making use of workforce diversity, many organizations seek to improve marketing capabilities to reflect and to be more responsive to customer demographic change (Cox and Blake 1991).

### **HR diversity management practices**

HRM is a set of distinctive activities, functions and processes that are aimed attracting, directing and maintaining an organization's human resources (Lado and Wilson 1994). The HR function has grown substantially over the past few decades and now covers the whole gamut of people management processes. There are different views about the nature of HRM and there exists an enormous variety of HR practices adopted by various organizations (Boselie, Dietz and Boon 2005). Nevertheless, it is widely recognized that the key practices of HRM include recruitment and selection, training and development, performance management and pay (Shen and Edwards 2006).

### ***Recruitment and selection***

Empirical evidence suggests that many employees and managers regard diversity management as being equal to having an equal opportunity for any person to enter the organization. Many world class organizations have been effective in hiring women and minorities to mirror the increasingly diverse markets and win over new customers (Perlman 1992). Managerial attention to increased work force diversity has been mandated in IBM, Xerox and J. C. Penney (Ted 2005). Digital, Esso and Westpac all set EEO targets in their HR practices (Kramar 1998). Alcoa recruits and retains high calibre people through harnessing the creative capacity of its employees. Alcoa creates a work environment and culture where this creativity will flourish (DIMIA 2002). Allen, Dawson, Wheatley and White (2004) conducted a survey of 396 employees from a wide variety of companies in Australia to examine 13 separate diversity practices. Ninety-three per cent of the companies reported a zero-tolerance level of workplace discrimination in recruitment. South Africa addresses its past segregation and discrimination policies by way of Affirmative Action programs demanding the appointment sometimes of a black person above a better qualified white candidate (Van Jaarsveld 2000). Before the 1979 amendments to the Industrial Conciliation Act (ICA), recruitment, employment level and access to skilled positions were virtually controlled by established white trade unions in South Africa. Over the past three decades, due to the wide adoption of tripartite negotiations, the percentage of blacks and other minorities in management has been considerably increased (Horwitz et al. 1996).

However, despite several decades of equality legislation and declared commitment to equal opportunities, there still exists a systematic discrimination in the recruitment and selection process. Morrison (1992) conducted a survey of managers in 16 'model' US organizations. He found that most organizations introduced just one approach to equality, instead of an array of measures intended to make the organizational climate more supportive. Organizations need to ensure that employment policies and practices provide developmental opportunities, career planning, reduction of work-family conflict, and mentoring for disadvantaged groups. Morrison (1992) proposed that managing diversity



can complement affirmative action strategies and new employment policies and practices to address the failure of organizations to promote women and racial and ethnic minorities into higher levels of management. Bennington and Wein (2000) found that there is widespread discrimination in employment in Australia. Holly (1998) and the Equal Opportunities Review (1995) presented the evidence of discrimination in recruitment and selection in the UK public sector. Walsh (1995) argued that the increasingly competitive environment makes it difficult for public sector managers to maintain the levels of organizational commitment required for equal employment opportunity to be truly meaningful. Worldwide, only 54% of working-age women are in the workforce compared to 80% of men (Kossek et al. 2005).

### ***Training and development***

There is anecdotal evidence showing diversity training and management development are receiving considerable attention from organizational management. According to Maxwell et al. (2001), people in the UK public sector normally regard diversity management as giving a fair chance to get ahead for everyone. Horwitz et al. (1996) reported that before 1979 the monopolization of skilled labour by white trade unions effectively denied access to apprenticeship training and skilled and managerial positions for South African black employees. Since the late 1970s, black managers as a proportion of all managers have increased as a result of implementing Affirmative Action programs. Many South African organizations have instituted multicultural value sharing workshops. By 1995, only 7.3% of the managers in the *Breakwater Monitor* sample involving 137 leading South African organizations and 837,331 employees were black, coloured or Asian. However, there has been a considerable growth of black, coloured, Asian and female managers in South Africa since then. Past studies, such as Cunha and Marques (1995), showed that nations with a high femininity culture, such as Portugal and the Scandinavian countries, have higher percentages of female managers. In Portuguese public administration the percentage of female managers is twice that of Europe. J. C. Penney set a goal of 46% representation of women on its board of directors.

However, many leading corporations have not been successful in training, retaining and promoting women and minorities (Goodman et al. 2003). Managers in organizations where there is a lack of effective HR diversity policies are likely to promote or rate highly subordinates who have similar cultural backgrounds and experience. In the US whites hold 88.4% of managerial positions while comprising only 75% of the population (US Department of Labor 2003). The Executive Leadership Council's Institute for Leadership Development and Research conducted the 2004 census of African Americans on corporate boards. The survey revealed only 8.1% of the board members are African Americans in the 500 largest publicly traded American corporations (Alleyne 2005). A similar study conducted by *Fortune* magazine reported that people of colour made up only 19% of corporate board rooms and 26% of management in the Fortune 1000 plus the largest privately held companies (Hickman, Tkaczyk, Florian and Stemple 2003). Cited in a CNN report (CNN 2007), *Fortune* magazine revealed that, in 2006, only 2% of CEOs in the Fortune 1000 were women. Elsewhere, Allen et al. (2004) argued that the minority representation in middle and senior management positions in Australian organizations is inadequate.

There is evidence that training programmes present lower rates of female participation, becoming an obstacle to women's career advancement and access to managerial positions worldwide (Powell and Butterfield 1994). Women are also widely excluded from informal

networks and experience difficulties in the establishment of mentoring relationships. These factors prevent them from reaching top positions, a phenomenon known as 'the glass ceiling effect' (Ragins and Scandura 1994). Moreover, most diversity training programmes reinforce norms, values and perspectives of the dominant organizational culture (Tung 1993). Rabobank, a Dutch bank, has employed a relatively higher percentage of ethnic minorities than other organizations in the community in order to attract ethnic minority customers. However, employees in Rabobank with immigrant backgrounds are mostly recruited only for lower positions and promotion for these employees is very difficult, if not impossible. Also, ethnic minority employees are not allowed to express their culture and religions in the bank openly (Subeliani and Tsogas 2005). Furthermore, the context of some diversity training may be different enough from the ongoing work context so as to make it difficult for trainees to exhibit behaviours similar to those learned in training (Ford and Fisher 1996).

### ***Performance appraisal***

Many organizations, such as Digital, Esso and Westpac, take account of AA and EEO in their performance appraisal systems (Kramar 1998). Australian companies largely draft and implement objective criteria and are fair in the performance appraisal process (Dagher, D'Netto and Sohal 1998). However, appraisal and performance-related pay practices and techniques are often inherently gendered and against women (Rubery 1995). Tsui and Gutek (1999) reported that there is consistent evidence showing that higher demographic similarity between supervisors and subordinates on age, race or gender correlates with HR outcomes, such as higher ratings on performance, organizational citizenship, and lower role ambiguity and conflict. Other mechanisms of discrimination are pointed out in the performance appraisal processes, in which women seem prone to get lower ratings (Ohlott, Ruderman and McCauley 1994). Australian companies usually do not involve culturally diverse employees in performance appraisal panels (Dagher et al. 1998).

### ***Pay***

Pay inequality is a main cause of job dissatisfaction and demotivation, and therefore a major HR diversity issue (McLoughlin and Carr 1997; Van den Bos, Lind, Vermunt and Wilke 1997). EEO and AA have been integrated with compensation practices by many organizations, again, like Digital, Esso and Westpac (Kramar 1998). Kramar has been supported by Dagher et al. (1998) who also reported that diversity practices in remuneration are widely used by Australian organizations. However, Dagher et al. (1998) attributed positive remuneration practices to a 'union effect'. These authors state that a relatively strong trade union movement in Australia has prevented the occurrence of wage discrimination among unionized employees.

While the implementation of equal pay has significantly reduced earnings differences between men and women, gender income inequality still remains a global problem (Blau and Kahn 1994; Katz and Autor 1999; Brainerd 2000). Globally, women earn 20% to 30% less than men (Kossek et al. 2005). In France, the gap between men's and women's pay stands at around 22% for those entering the labour market for the first time in the early 1990s, whereas this difference was 15% for people in the same situation in the late 1970s (INSEE 2002). Gender wage inequality ranged from 10% to 54% in urban industries and from 20% to 45.7% in the rural sector in the 1990s in China (Meng 1998; Gustaffson and Li 2000; Hughes and Maurer-Fazio 2002). The size of gender wage differential in China is similar to that of Russia and other developed countries (Blau and Kahn 1994; Brainerd 2000).

In addition, only a small percentage of companies tie manager's rewards or compensation to the achievement of diversity goals (Allen et al. 2004).

### ***Implementation of HR diversity policies***

According to Martin and Woldring (2001) there is a high level of disagreement and a lack of ready consensus among HR managers on translating ethical principles into organizational diversity practices. As Snape and Redman (2003) stated, even among many global organizations that promote various forms of diversity, implementation is more an issue of talk than of actual practice. While companies remain conscious about equal opportunity, notably through legislative prerequisites, only a few have affirmative action programmes that go beyond the minimal fulfilment of legal requirements (De Cieri and Kramar 2003). Furthermore, many multinational enterprises have not established adequate diversity programmes in their overseas operations (Eagan and Bendick 2001). Empirical evidence also suggests that managers, employees and different sub-groups within an organization often have different perceptions of diversity management. For example, more employees than managers in Allen et al.'s (2004) study did not believe that their companies were good at implementing various diversity practices.

### **Developing a framework of HR diversity management**

Many authors have suggested a range of techniques for improving diversity management through HRM. Strong emphasis has been put on management philosophy that is committed to EEO, AA and appreciating and making use of diversity at the strategic level. As Truss (1999) argued, leadership and administrative heritage influence the nature and form of careers offered to both men and women. Effective diversity management requires a culture of inclusion that creates a work environment nurturing teamwork, participation and cohesiveness (Carnevale and Stone 1994; Dwyer, Richard and Chadwick 2001). Diversity culture should be emphasized in organizational vision, mission and business strategy and the HRM strategy. The formation of a diversity culture requires a significant commitment of resources and leadership. Formalization of HR diversity policies is also necessary as Reskin and McBrier (2000) argued that organizations with written documents for hiring and firing had higher percentages of women in management.

Measuring diversity and diversity management practices is strongly regarded as the initial step of HR diversity management practice (Kossek et al. 2005). Diversity capabilities in organizations could be undermined by the lack of attention to the documented policies and practices and proper record keeping. For example, according to ACIB (2000), in Australia, most organizations did not keep information on ethnic background in the 1990s. Sixty percent of the surveyed organizations had no data on language skills, and 35% did not collect data on employee age. A lack of systems for identifying diversity means that CEOs are not well placed to harvest the diversity embedded in their firm's human capital. Therefore, many scholars have suggested organizations measure the identity profile or demographics of defined work groups (Cox 1993), the dominant organizational culture, and the perceptions of various employee groups in order to identify cultural barriers that may hinder the full and effective participation of all employees (Kossek et al. 2005). A critical analysis of the current HR diversity practices, such as recruitment and selection procedures, criteria for entry into jobs, selection tools, diversity training programmes, performance appraisal and compensation is also important. Such an analysis helps to overcome unfairness, remove the glass ceilings and eradicate tokenism and resistance (Human 1993). Periodic audits



of diversity are necessary to identify the areas that require improvement to manage diversity effectively. Organizations can compare this data with benchmarking in an industry or a region in order to rate and increase the representation of women and minorities in the workforce or management. Our next sections focuses on the techniques for improving HR diversity at the tactical level.

### ***Recruitment and selection***

Managing growth in workforce diversity and increasing the representation of women and minorities is a critical HRM strategy of recruitment and selection for most organizations (Thomas and Ely 1996). Human resource managers usually tend to bring people into the organization and promote employees who fit or have values similar to the decision makers or gatekeepers. Therefore, recruitment and selection should avoid what Schneider (1987) called 'the A-S-A (attraction-selection-attrition) cycle' in order to develop multiple cultures in the organization. Human resource professionals and line managers who recruit and interview job seekers in a multicultural workforce need to be aware of the ways in which the interviewers' beliefs, attitudes, and stereotypes influence interview behaviour.

### ***Training and development***

High quality diversity awareness training is one HR function that enhances the effective integration of diverse group members. Awareness training builds a common understanding of the value of diversity, assisting in building social cohesion so that it improves individual and organizational outcomes. Rynes and Rosen (1995) found in their study that 75% of trainees who took diversity training, left the training with positive diversity attitudes, while only 9% of trainees actually entered with favourable attitudes. Sixty eight per cent of employees were sceptical prior to training, whereas only 7% reported scepticism after training. Roberson, Kulik and Pepper (2003) recommended that companies must clarify training objectives and systematically conduct a training needs assessment. Participants should know whether the training programme seeks to raise diversity awareness or develop multicultural skills. Social psychological research on stereotyping and linkages to prejudice reduction must also be tightly incorporated into training design. A top down training strategy may be valuable – providing awareness training to senior managers first and team-building training last. Education and training should be tailored to the specific needs of the organization, division, level, team or individuals. Critical to the success of education and training is the important step of linking training to the strategic objectives of the organization. Kossek et al. (2005) suggested that external facilitators involved in diversity training may help to achieve higher levels of productivity in a shorter time given work group diversity can lead to increased conflict among members in the short-term.

Professional development and career planning is another area where discrimination is visible and needs careful attention while designing diversity management policies. If the HR practices concerning career progression do not effectively reflect diversity issues, diverse employees would have negative perceptions of the whole process (Richard and Kirby 1999). Organizations should ensure providing equal opportunities for promotion and personal development to all employees. Minorities should be regularly included on panels that evaluate, select and promote managers. The problem of assessing candidates for promotion who are 'different' can be reduced if some of the decision makers are non-traditional managers. Direct intervention by top-level executives in the promotion process is sometimes necessary to ensure that diversity goals are not overlooked. The main

point is that candidates must not only be recruited, but they must be adequately prepared to take on demanding managerial assignments (Loden and Rosener 1991, Morrison 1992). Scholars have suggested that mentoring is another strategy for managing diversity. A successful senior mentor is matched with more junior women or minority employees, with the objective of enabling under-represented demographic groups to move through the invisible barriers and advance in their careers (Ragins 2002).

### ***Appraisal***

Effective performance appraisal practices in the area of diversity management should be objective not subjective, relevant to the job and the company, and fair to all employees and offer no special treatment (Schuler, Dowling and DeCieri 1993). Including non-traditional managers on the appraisal panels can help to create objective criteria and fair performance appraisal practices. When conducting appraisals, the language of appraisal should focus on the individual's performance and not on the personality or race. Hence, the aim should be to make the appraisal as culturally neutral as possible (Fulkerson and Schuler 1992). Also, some scholars suggest that when assessing each manager's performance, actions taken by the manager to hire and promote minorities and women can be used as performance criteria in order to promote diversity (Morrison 1992; Sessa 1992).

### ***Pay***

Pay equality contributes to effective diversity management and organizational performance. Diversity management in remuneration requires complete application of the principle of equal pay and a performance-based pay system. Empirical evidence suggests that the compensation structure, the wage determinants and the benefit schemes should be designed not only on common principles but also considering individuals in terms of their ability, knowledge and skill.

An individual-driven remuneration system facilitates individual lifestyles and further promotes diversity. To implement HR diversity practices, scholars also placed strong emphases on educating employees to understand diversity principles and accept their responsibilities, developing identity-based networking groups and targeting communications to different affinity group members (Kramar 1998; Friedman and Holtom 2002).

At the operational level, a major diversity management issue arises when an individual tries to balance work and family life. In this regard flexible employment has great advantages over the traditional employment system. Employment flexibility provides individuals with the freedom to choose the working schedule based on their personal capacity. The diverse workforce has different priorities for themselves as well their families and societies. Flexibility provides a reasonable balance and allows employees to address significant issues. BHP Billiton, a leading Australian organization is one of the first companies in the world to combine health, safety, environment and community matters in one policy and one set of management standards. At the centre of diversity practices at BHP Billiton are the company's *Diversity and Work-life Balance* policies (DIMIA 2002). However, in rest of the world this issue is yet to gain momentum. Therefore, it is advocated that if work-life balance is not maintained, individual issues would arise and would ultimately affect organizational productivity (Cox 1993). Organizations must therefore provide support services to help mitigate certain issues that are associated with work-life balance. When providing such support services, managers and supervisors are critical players and can help to build a culture that values diversity across the organization.

Reflecting the discussions above, at the strategic level, what is required is a management philosophy that recognizes diversity is critical for organizational success. Top management commitment to diversity should be reflected in the organizational vision, mission and business strategy in order to remove psychological and operational barriers to managing diversity. If such commitment is inconsistent with the current organizational culture, then a significant culture change may be necessary in order to create an atmosphere of mutual respect of all employees. At the tactical level, a range of HRM diversity policies can be formulated in order to support this management philosophy. Measuring the employees' perception of the existing HRM diversity practices and their expectations may be conducted to facilitate policy development. HRM diversity policies at the operational level are implemented at the workplace, involving mainly educating employees, identity-based networking groups, targeting communications to different affinity group members, flexible employment and support for generating a work-life balance.

At all levels, line managers should play a more important role in diversity management. Devolution of responsibility for people management is a central theme of HRM (Storey 1992) and of diversity management as well (Kandola and Fullerton 1994). Sanglin-Grant and Schneider (2000) found that line managers' iterations of organizational policy on racial equality are sometimes at odds with employees' views of organizational practice. Hence, line management should be involved more in the decision-making process in order to fully understand and effectively implement diversity management.

Based on the above discussion, a conceptual framework of HR diversity management is proposed and shown in Figure 1. This model indicates that diversity management includes EEO/AA as well as appreciating and making use of diversity. Diversity management should occur at the strategic, tactical and operational levels through a range of different activities involving managers at all three levels. The model also highlights the ultimate objectives of diversity management. These objectives include benefits to organizations and individuals which can result from good diversity management.

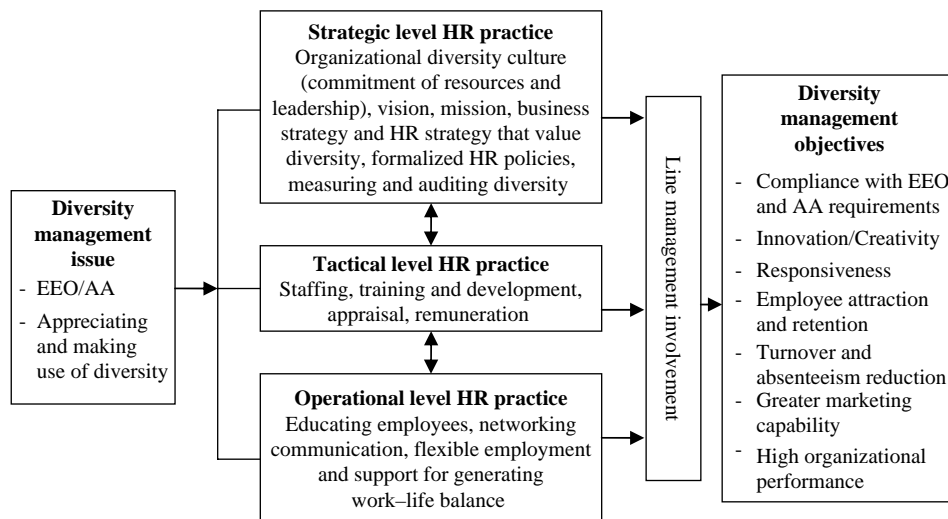


Figure 1. A framework of HR diversity management.

**Discussion and conclusion**

HR diversity management has gained momentum because of the pressures on business that become internationally competitive, the changing labour force composition, growing awareness of the importance of human resources management and a backlash created by perceptions of special treatment for women and ethnic minorities. Critically reviewing the literature, this study reveals three prominent features of HR diversity practices. First, despite growing commitment to EEO in many organizations, there is wide discrimination in employment. This is evidenced by low employment of women and minorities and the lack of minority representation at higher organizational levels. Also, female and minority employees are always disadvantaged in training, performance appraisals and remuneration. Second, HR diversity is often restricted to hiring by numbers (Agocs and Burr 1996). Relatively, little is done on other HR activities including training, management development and individual-based appraisal and pay. Often, minority employees are recruited for lower positions and provided few promotion opportunities. While many organizations provide diversity training most training programmes reinforce norms and values of the dominant organizational culture. Organizations normally do not take individual differences into consideration when formulating and implementing training, appraisal and pay policies. Pay inequality, especially gender income inequality, still remains a significant issue in diversity management. Ethnic minorities are frequently not comfortable with open expression of their opinions. Empowerment of a truly diverse workforce is not yet a norm. Third, an important focus in HR diversity management is placed on the notion of equality, usually described as fairness or workplace discrimination. Most companies do not really have effective diversity management practices that value and make use of diversity. The major incentive for implementing EEO and AA is to gain greater marketing capability and attract ethnic minority customers by mirroring increasing diverse markets. Therefore, most organizations have not built the requisite diverse workforce nor launched diversity programs to unleash the potential of the diverse workforce they employ.

The findings of this study have significant practical implications. The review indicates that there is a continuing need for effective diversity management and for HRM to play an irreplaceable role in this regard. Effective diversity management through good HR practices and procedures leads to positive outcomes. Ineffective diversity management in HR is most likely to result in conflict, demotivation, higher employee turnover and low organizational performance. Therefore, diversity management must become a priority agenda in HRM practices for all organizations. Due to the fact that most organizations consider diversity mainly as an issue of compliance with legal requirements and recruiting ethnic minorities, there is a great need for improved HR diversity strategies focusing on appreciating and making use of diversity.

In order to do so, as the proposed framework suggests, at the strategic level, top management is required to have a philosophy and foster organizational culture that recognizes diversity, and commits resources and leadership so as to implement diversity policies. At the tactical level, organizations should adopt a range of HRM policies incorporating EEO and AA and simultaneously making use of diversity. At the operational level, organizations should pay attention to educating employees, networking, communications and flexible employment. At all levels, line managers should be actively involved in HR diversity management.

This study has identified several avenues for further research. Despite wide recognition of its significance, diversity management in HR has to date received surprisingly little

attention in the diversity management literature. There are some HRM studies concerning diversity issues. However, the fact that these studies are normally regarded only as part of the HR literature makes it difficult to draw complete conclusions on HR diversity management by analysing only the diversity management literature. Also, interestingly, although scholars have emphasized the differences between diversity management and EEO and AA, past studies have focused on EEO and AA in HRM policies and practices. Valuing diversity and utilizing the knowledge and skills of a diverse workforce, an aspect which is beyond EEO, has been largely neglected. As a result, the existing literature does not indicate how diversity has actually been managed through HRM. Therefore, further research is necessary on the state of HRM diversity management beyond EEO and AA. Such research in developing and transitional economies is urgently needed as most past studies have been conducted in the Western contexts, such as the US, EU nations and Australia. As mentioned earlier there are different diversity issues in different national contexts. Research in non-western contexts would develop a better understanding of the effects of different socio-cultural environments on diversity management. Also, due to the fact that managers, employees and different groups within an organization may have different perceptions of diversity management, such perceptions can often be the result of poor implementation of HR diversity policies. Future research should examine diversity management from multiple perspectives. Moreover, past studies are usually prescriptive in exploring the relationship between HR diversity practices and organizational performance. As a result, there is, so far, no study statistically examining the contribution of diversity management in HR to organizational performance from financial and non-financial perspectives. Further empirical research on this aspect would advance our understanding of the contributions of HR diversity management.

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