Workforce diversity in strategic human resource management models

A critical review of the literature and implications for future research

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Abstract

Purpose – Workforce diversity is considered one of the main challenges for human resource management in modern organizations. Despite its strategic importance, the majority of models in this field implicitly consider workforce as a generic and homogeneous category, and do not take into account cultural differences among employees. The aim of this paper is to present a systematic review of the literature on diversity among employees in strategic human resource management (SHRM). The objective of this conceptual analysis is to identify limitations in previous research and unresolved issues that could drive future research in this field.

Design/methodology/approach – To develop this conceptual analysis, the paper reviews previous literature on SHRM, drawing on the distinction between the universalistic, contingent and configurational perspectives. Each of these approaches is explored, looking for the way in which they have treated workforce diversity and cross-culturality.

Findings – The paper concludes that managing a heterogeneous workforce requires a holistic transformation of human resource strategies. Nevertheless, efforts to define cross-cultural and diversity-oriented models still remain undeveloped. Limitations of previous research in the diversity-SHRM field are indentified in the paper.

Research limitations/implications – Drawing on the limitations of the treatment given to diversity in SHRM research, the paper identifies four research questions that still need to be addressed: deeper analysis of the concept of diversity, introduction of psychological processes mediating the diversity-performance relationship, development of diversity oriented SHRM typologies and redefinition of performance indicators to measure the effects of diversity.

Originality/value – This paper proposes a theoretical model to illustrate present state of the art and future research lines in the fields of diversity, cross-cultural management and SHRM.

Keywords Workforce diversity, Strategic human resource management, Human resource management, Human resource strategies

Paper type Literature review

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1. Introduction
Social transformations in the last two decades have substantially increased workforce diversity and cross-culturality (Cook and Glass, 2009; Seyman, 2006). Nevertheless, as Benschop (2001) argued, the majority of strategic human resource management (SHRM) models have implicitly assumed that workforces are “generic and homogeneous categories”, without considering cultural differences between employees. In this sense, the need to incorporate diversity in the SHRM debate has been considered one of the main challenges to be addressed in future research on the field (Curtis and Dreachslin, 2008; Shen et al., 2009).

The objective of this theoretical study is to understand how diversity has been treated in the SHRM literature up to the present. SHRM models will be reviewed and classified according to the classical distinctions between universalistic, contingent and configurational approaches (Delery and Doty, 1996; Martín Alcázar et al., 2005). References to workforce diversity from each of these perspectives will be brought together and explained, discussing the limitations in the SHRM literature on considering diversity. The paper concludes by calling for future research directions that address previous limitations in the field.

2. Workforce diversity in SHRM models
The literature review was based on a systematic search of references to diversity and cross-cultural issues in articles proposing human resource management (HRM) models. To do so, we conducted a search of the following key terms using the ABI/INFORM database: “diversity and strategic human resource management”, “diversity and human resource management strategies”, “cross-cultural and human resource management” and “workforce heterogeneity and strategic human resource management”. To select publications, a double criterion was applied:

(1) time frame, considering papers published between 1990 and 2011; and
(2) quality of publication, assessed by journals’ position in Thompson Reuters JCR and Scopus rankings.

Nevertheless, specific non-ranked journals focused on equality and diversity management were also considered in the literature search, to avoid excluding relevant studies in the field.

2.1 Diversity in universalistic models
The universalistic perspective represents the simplest approach to the analysis of HRM strategies. Its main objective is the identification of best HRM practices that must meet two conditions:

(1) demonstrated capability to improve organizational performance; and
(2) generalizability (Becker and Gerhart, 1996).

Drawing on the assumptions pointed out earlier, these studies try to identify certain HRM practices that could be used by an organization under any circumstance as diversity and cross-cultural management tools. From this universalistic point of view, scholars have demonstrated the importance of policies such as those oriented to foster equality of opportunity (Hicks-Clarke and Ills, 2000), flexible working times (Alimo-Metcalfe, 1993;
Sidney, 1994), work-family balance (Kossek and Lobel, 1996), participative performance assessment (Nowack, 1993), intercultural training (McCain, 1996) or flexible compensation (Barber and Daly, 1996). Following this approach, universalistic research has demonstrated the effects of certain policies on the performance of heterogeneous teams, but has failed to explain how the connections among these practices build an HR strategy oriented to diversity.

2.2 Diversity in contingent models

Under the contingent perspective, relationships between dependent and independent variables (HR policies and performance) are not considered stable. Instead, they vary according to third variables called contingency variables. Because of this variability, best practices that could lead to superior performance under any circumstance are denied (Delery and Doty, 1996). This new mode of theorizing potentially offers complex understandings of diversity management. However, in our review of contingent models of SHRM, we found even less reference to diversity and cross-culturality than in the universalistic literature. Four SHRM models can be highlighted as examples of contingent approaches to diversity management:

(1) The work of Kossek and Lobel (1996) is one of the first efforts to describe, through a complex model, how SHRM can benefit from diversity. They argue that diversity management should not be a means itself, but a tool for obtaining competitive advantage, directly linked to firm’s strategy.

(2) Also adopting a contingent perspective, Benschop (2001, p. 1167) proposes a model to “rethink HRM” under the new assumption that employees are heterogeneous.

(3) The third contingent model of SHRM that incorporates diversity of workforces was proposed by Richard and Johnson (1999, 2001) and Richard et al. (2006). They argue that, in order to manage diversity, an organization must define what they refer to as a diversity system, which must be in line with firm’s strategy, organizational structure and environmental uncertainty.

(4) More recently, Herdman and McMillan-Capehart (2010) have highlighted the need to consider certain organizational characteristics that moderate the relationship between diversity and firm performance.

Following Gonzalez and DeNisi (2009), they grouped these internal contingent factors into a construct named diversity climate. Diversity climate can be defined as “aggregate perceptions about the organization’s diversity-related formal structure characteristics and informal values” (Gonzalez and DeNisi, 2009, p. 24).

This traditional contingent approach has been completed with a complementary perspective, basically developed by European scholars, which proposes a shift in the consideration of environmental factors. From this contextual approach (Brewster, 1999), environment is not only considered as a contingent variable, but as a holistic framework for diversity management decisions, which influences but is also influenced by management decisions. From this point of view, different studies have been proposed to explain how diversity management models vary across countries, and how they are affected by institutional (Goodstein, 1994; Ingram and Simons, 1995), cultural (Sippola and Smale, 2007; Fiona, 2011) and political influences (Greene et al., 2005; Greene and Kirton, 2011).
2.3 Diversity in configurational models

The configurational perspective adds complexity to the SHRM debate by assuming that the HRM system must be not only consistent with local environmental and organizational conditions, but also internally coherent (Delery and Doty, 1996). Thus, HR is defined as an interactive complex system, in which the interdependence of practices can multiply (or diminish) the combined effect. Although we have shown that the configurational approach allows complex internal analyses of the SHRM function, we nevertheless found few references to workforce heterogeneity and cross-cultural issues in the relevant literature. Authors as Ellis and Sonnenfeld (1994) or Barry and Bateman (1996) have explained the need to add diversity management practices to traditional HRM systems. However, Kossek and Lobel (1996) argue that a further step in the configurational analysis of diversity management would be necessary. Similarly, Bendick et al. (2010) have noted that it is still necessary to explore how different diversity management practices can be synergistically integrated into a strategic system. In this sense, diversity management initiatives must be considered not as stand-alone entities, but rather as components of integrated HRM systems (Yang and Konrad, 2010).

The European contextual approach has also provided interesting arguments about how these systems should be designed. In this sense, as Kersten (2000), Kirton and Greene (2005) or Risberg and Söderberg (2008) argued, to simultaneously achieve business and social justice outcomes associated with a cross-cultural workforce, a transversal, multilevel framework of managing diversity is required, in order to promote a complete cultural change.

It was difficult to find papers in the literature describing how HR practices could be combined to provide alternative configurations for managing diversity. The work of Richard and Johnson (1999, 2001) is one exception. Adopting a configurational point of view, they propose a typology describing the different ways in which organizations approach equal opportunities issues and affirmative action. Richard and Johnson (2001, p. 183) contributed to the diversity debate with a discussion on how the elements that build the HR system are integrated. In fact, they based their proposal on the idea that “a multiplicative relationship exists so that configured training and development, work design, staffing and compensation interventions will have a meaningful diversity orientation”.

More recently, the need to continue this configurational analysis of diversity management has been addressed. The empirical analysis presented by Armstrong et al. (2010) responds to this call for research. Drawing on earlier literature on high performance work systems, they define the concept of diversity and equality management system (DEMS), as a multifaceted bundle that includes written policies for managing diversity and equality, as well as a reconsideration of training, recruitment, promotion and pay practices.

Figure 1 shows the literature review developed in this section, presenting a graphical description of our present knowledge about diversity and SHRM. As it can be observed, the model incorporates the contributions from the three perspectives described. It considers the consequences of individual diversity management practices (universalistic), as well as the synergistic effect of systems of practices (configurational). Contingent variables, on the other hand, are introduced as moderating factors. This model would help us to identify, in the next section, unresolved issues, and implications for future research.
3. Conclusions and implications for future research

Managing a diverse and cross-cultural workforce requires a complete transformation of HR strategies (Shen et al., 2009; Bleijenbergh et al., 2010; Tatli, 2011). Efforts to develop diversity-oriented SHRM models are still weak and presented in only general terms (Kossek and Lobel, 1996). Summarizing the theoretical discussion developed in this paper, we could highlight five limitations of previous literature about SHRM and workforce diversity. First, as we have seen, the majority of the studies reviewed followed a universalistic perspective, as they focused on identifying isolated best practices, without discussing contingent and contextual influences. This universalistic objective also leads them to follow a prescriptive orientation. In fact the majority of diversity management models are focused on recommending generic management tools instead of explaining the effects of diversity. The third limitation identified is the “black box” approach to the analysis of the effects of diversity. The effects of diversity were considered as direct causal relationships, without exploring potential mediating and moderating factors that could help explain this complex reality. Similarly, we have also perceived another limitation regarding the concept of diversity. Different ways of conceptualizing and measuring diversity have been proposed, focusing in many cases on different sets of attributes. Finally, one of the conclusions from our review of the literature is a lack of specific HR typologies. In fact, very few configurational models have been proposed to describe how different HR policies and practices can be synergistically integrated to manage workforce diversity.

Previous literature has identified both positive and negative effects of workforce heterogeneity. Kochan et al. (2003) have argued that the extent to which diversity will
benefit group performance will depend on how an organization manages heterogeneous groups. They conclude that the SHRM system can play a relevant role by moderating the effects of diversity. But, considering the limitations of previous literature identified, we can conclude that, to fully understand how workforce heterogeneity can be managed, some research questions still need to be addressed.

(a) Deeper analysis of the concept of diversity
Studies about workforce heterogeneity have confirmed that diversity is a complex and multidimensional concept. Employees can differ across a broad set of demographic attributes (age, gender and ethnicity) and the effects expected from each type of diversity are not necessarily similar (Jackson et al., 2003). Studies have also stressed the importance of other less visible diversity variables such as values or cognitive processes that are particularly difficult to measure and manage (Harrison and Klein, 2007; Shore et al., 2009). Therefore, before designing a bundle of HR practices for managing diversity, it is necessary to analyze and define clearly the kinds of differences that the organization needs to manage. In the selection of these diversity attributes, it is particularly relevant to consider intersectionality, in order to explore the effects of the simultaneity of different diversity categories (Holvino, 2010). Tatli and Özbilgin (2011) have recently proposed a new direction for the theoretical conceptualization of diversity. Instead of the traditional approach, focused on pre-defined and salient diversity categories, they propose to empirically identify the emergent attributes in each case, according to their role in generating power, privilege or inequality at work. By doing so, they conceptualize diversity as a dynamic, intersectional and empirical construct which attends to temporal and geographical contextuality.

(b) Opening the “black box” of the effects of diversity
Studies about diversity proposed from management research have not fully explained the effects of heterogeneity, so an integrative approach is required, completing models with arguments from occupational psychology (Stockdale and Crosby, 2004). Psychological models have explained how diversity impacts on cognitive processes within groups. Different studies in this sense have reached the conclusion that decision-making processes can be substantially improved if individuals with different “mental models” meet in the same group (Kearney et al., 2009; Phillips et al., 2006; Tegarden et al., 2007). Nevertheless, not all the effects of human capital diversity are positive. In fact, negative consequences of different use of verbal and nonverbal languages on internal communication have also been reported (Homan et al., 2007; Martins and Parsons, 2007). On the other hand, the literature also explains that the perception of differences among employees could produce negative affective dynamics within the group (Hobman et al., 2003; Ayoko, 2007; López Fernández and Sánchez Gardey, 2010; McKay et al., 2009). As proposed by social identity theory, if demographically diverse units are not conveniently managed, subgroups and identity conflicts will easily appear (Pendry et al., 2007). However, the positive consequences of demographic heterogeneity have been discovered in external communication. Empirical studies have confirmed that groups with diverse demographic profiles find it easier to reach a broader set of external agents (Joshi, 2006; Roberson and Park, 2007; Singh, 2007).
(c) Rethink performance variables to measure the effects of diversity
Universalistic measures of performance have relied almost exclusively on financial indicators, because of their ease of use and visibility. However, as Rogers and Wright (1998) point out, these indexes fail to measure all the effects of human resource (HR) policies at all levels of implementation. To fully understand the effects of diversity, it is necessary to define new performance constructs, able to account for the interests of diverse groups of internal and external stakeholders (Gerhart, 1999; McKinney, 2009).

(d) Develop diversity-oriented SHRM typologies
As we have seen, the configurational perspective has considerable potential to explain how the SHRM system can be oriented toward managing diversity. In fact, the majority of scholars working on diversity point out that managing a heterogeneous workforce requires a holistic transformation of traditional strategies. However, we have seen efforts to define diversity-oriented HR configurations that remain undeveloped. Again, the literature about diversity can help to overcome this limitation. Research in this field has provided generic strategic typologies that represent alternative diversity management options (Dass and Parker, 1996; Richard and Johnson, 2001). The challenge now is to bring them to the SHRM debate, discussing their HR implications and exploring patterns of HR policies through which they can be implemented.

Our review of the literature has presented an analysis of how previous literature on SHRM has treated workforce heterogeneity, and how present knowledge in this field can advance by considering four unresolved research questions. Figure 2 shows how these future research lines would contribute to the debate about the role played by

Figure 2.
Future research lines
SHRM in managing workforce diversity. We believe that, following this integrative
approach, research can help to overcome the limitations outlined and explain how
differences between employees can be managed, which is, as Benschop (2001, p. 1166)
noted, “one of the main challenges for HRM in modern organizations”.

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