Among the different social variables listed by CRS model there is the protection of the “Diversity”: the objective of the present analysis is represented by the attempt to give new meaning to this variable, where an innovative management of the “Diversity” should be able to become a new strategic tool for a company globalized and oriented to Business Ethics.

By this new point of view, it is possible to observe the “Diversity” as “Richness”, following a revised perspective to change from being a determinant of “Diversity Management” (traditional approach) to become a strategic key driver oriented to the “Diversity Engagement” (innovative approach).

Key words: Corporate Culture, Diversity; Business Economics; Labour Management.

JEL classification: M14, M21, M54.

1. Introduction

The discipline of Business Economics cannot escape today, as it was always in its historical tradition, from formulating business models that represent prospectively a stimulus to overcome the present critical issues, with domestic and international evidences: a global crisis, which manifests itself in financial terms, but whose origin is due to the ethical model of reference.
In the light of present and persistent economic and social conjunctures, the initial reflection cannot ignore the fact that the same concept of Business Ethics should necessarily be subjected to a deep and accurate revision, by theorizing and systematizing new doctrinal paradigms of reference declined in relation to markets involved in an increasing process of globalization.

That said it is not possible to develop the topic concerning the “Diversity Management” without contextualize this concept within the present globalization processes. For this reason the following paragraph is dedicated to present the globalization by a Business Economics approach, an alternative point of view, in which the starting point of the present analysis is provided by redefining a model of globalization oriented to Business Ethics.

2. Globalization paradigms explained following a Business Economics approach, as due premise to the analysis concerning the research topics

The “Diversity Management” topics appear to be strongly related to the theme of globalization of markets: for this reason the paper would like to propose – in this paragraph – a short presentation of the globalization paradigms explained following a Business Economics approach, as due premise to the analysis applied to the “Diversity Management”.

In adherence to the premise, following a Business Economics approach, it is possible to identify four “Business Models”, with reference to the corporate activities of international relocation (or internationalization of business); they are the “Local Company”, the “Budded Company”, the “Partial relocated Company” and the “Hollowed Company”: very briefly, the features of each model are presented below.

The “Local Companies”: these enterprises do not realize global strategies; the business continues to be allocated only inside the domestic market; these companies – also so called “Local Players” – suffer passively the international competitiveness; in the long term, these companies may have strong problems of survival resulting from the globalization of markets.

The “Budded Companies”: these subjects realize full global strategies; these companies actively address themselves to the international competitiveness; new enterprises are created around the world, but the holding
(or “Parent Company”) maintains the historical operational structure; this approach does not cause a negative impact in terms of employment.

The “Partial relocated Companies”: these subjects realize partial relocation strategies; these companies actively addressing the international competitive-ness; in this case the corporate delocalization regards or some corporate functional areas (e.g. production) (Ferrero, 1987), or some business unit, or some business process, etc.; this model has a partial negative impact in terms of employment (with reference to the “Parent Company” geographical area).

The “Hollowed Companies”: these subjects realize full relocation strategies; these companies actively addressing the international competitiveness; in this case the corporate delocalization regards all the corporate functional areas, or all business units, or all business processes, etc.; this model has a strong negative impact in terms of employment, because the “Parent Company” becomes a “Hollowed Company”, it remains only as an intangible entity with a profile exclusively for tax and/or legal purposes.

Continuing the path aimed to identify which of the models previous explained goes towards an ethical model of globalization, it is possible to under-line that an organization (profit or not for profit) has an ethical outline when – not only – it respects the laws, but it also manages its own business respecting the interests of the various stakeholders of reference.

From this point of view, then, the concept of Business Ethics is closely related to those concerning the “sustainable development” and the “corporate social responsibility”.

The first issue – regarding the concept of “sustainable development”, introduced in 1987 by the World Commission on Environment and Development (WCED) – is defined as «(…) the economic and social development that doesn’t compromise the environment and the natural resources the continuation of human species and the future development depend on (…)» (WCED, 1987: Chapter 2: Towards Sustainable Development).

The second concept – concerning the “corporate social responsibility” – is defined by the European Commission as «(…) the voluntary decision to contribute to the progress of the society and to the defence of the environment, integrating social and environmental problems into the corporate operations and the interactions with the stakeholders (…)» (European Commission, 2000). In October 2011, the European Commission published a new policy on
“corporate social responsibility”. It states that to fully meet their social responsibility, enterprises «(…) should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders (…)». The aim is both to enhance positive impacts – for example through the innovation of new products and services that are beneficial to society and enterprises themselves – and to minimize and prevent negative impacts (…)» (European Commission, 2011). The mentioned concepts – “sustainable development” and “corporate social responsibility” – have a common denominator in the environmental and social sustainability, while the third point of view – the “economic sustainability” – it takes a different meaning depending on the observation profile: in Economics, it coincides with the concept of “sustainable development”, while in Business Economics, it is due to the concept of “corporate profitability”.

In the latter case, the “economic sustainability” can be ensured only by the presence of a constant and continuous “corporate profitability” resulting by an accurate business strategy having a long-term vision.

The recalled three-dimensionality, due to the above concepts explained, also offers a direct link to the model of the “triple bottom line”, a theoretical approach proposed and developed in the late ’90s by Elkington, in order to recommend to the companies the need to provide a reporting on the three main dimensions of its performance, economic, social and environmental, by a single document intended indiscriminately for investors and stakeholders (Elkington, 1994, 1998; Hubbard, 2009; Manetti, 2006; Savitz, 2006, 2012): this approach has been implemented in the European Parliament Legislative Resolution regarding “disclosure of non-financial and diversity information by certain large companies and groups” (EP, 2014).

Therefore, for defining a model of globalization oriented to Business Ethics, it is necessary that two conditions must be satisfied jointly: a) there must be a regular and fair presence of “corporate profitability” for shareholders, because Business Economics considers the company like a non-contingent entity established to last (Coda, 1985) and b) there must be a constant and continuous attention to the value creation for stakeholders, condition that matches the model of the “corporate social responsibility”.

Alternatively, it is possible to say that the only exclusive presence of the “corporate social responsibility” does not always guarantee “business continuity” (Herbane, 2010); while the only exclusive presence of the
“corporate profit-ability” does not always guarantee full compliance with the principles of the “corporate social responsibility”.

Unfortunately, the present globalization processes – from which the model of “Local Company” is excluded – tend to emphasize more on “corporate profitability” and less on “corporate social responsibility”, favoring models previously de-defined as “Partial relocated Company” and as “Hollowed Company”: only in the “Budded Company” paradigm are jointly present the two drivers and this dual presence is the only condition (necessary and sufficient) to ensure a model of globalization oriented to Business Ethics.

In other words, the case of the “Budded Company” is included in a paradigm of globalization classifiable as “Fair or Positive”, while the other two cases – “Partial relocated Company” and “Hollowed Company” – represent the alternative paradigm of globalization classifiable as “Unbridled or Negative”.

The “Unbridled or Negative Globalization” paradigm is no longer acceptable for the following reasons: it discriminates economically, socially, environmentally and fiscally; it contrasts with the concept of “sustainable development”; it represents “Business Models” not oriented to Business Ethics and it presents profiles of non-inclusiveness concerning the management of the different aspects of the diversity (issues relevant on “Diversity Management” disciplines).

On this last point, it should be noted that among the different social variables related to “corporate social responsibility” there is the “diversity”.

The objective of the present analysis is represented by the attempt to give a new meaning to “diversity”, where “Diversity Management” should be able to become a new strategic tool for a company oriented to Business Ethics and – recently – to “Creation Shared Value” approach (Porter et al., 2011): drawing inspiration from the premise, this kind of company should aim to an own development not only in economic terms, but also having a socially, equitable and sustainable profile.

3. Literature review: discussion and analysis

Drawing inspiration from the premise, “Diversity Management” could be represented by a new doctrinal approach in which it is evident the change of view of the “diversity” from being a critical determinant of “Risk Management” (Willams, 1994) to becoming a strategic leverage oriented to
“Competitive Advantage” (Porter, 1990). About the origin of the “Risk Management” Dionne wrote: «(…) Risk management began to be studied after World War II. Several sources (Crockford, 1982; Harrington and Niehaus, 2003; Williams and Heins, 1995) date the origin of modern risk management to 1955-1964. Snider (1956) observed that there were no books on risk management at the time, and no universities offered courses in the subject. The first two academic books were published by Mehr and Hedges (1963) and Williams and Heins (1964). Their content covered pure risk management, which excluded corporate financial risk (…)» (Dionne, 2013: 2); while Duncan (1996) tried to define “Risk Management” as: «(…) a systematic process of identification, analysis and response to the project risks, process comprising the risk identification, risk quantification, risk response plan, risk response control sub processes (…)» (Măzăreanu, 2007: 42).

The evolution of the concept of “Risk Management” has acquired over time an increasingly quantitative dimension applied to the corporate dimensions underlined by the current declination “Enterprise Risk Management” (in acronym “ERM”), a concept defined in an “American Institute of Certified Public Account-ants” (AICPA)’ publication as: «(…) Enterprise risk management is a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives (…)» (COSO, 2004: 2). In this definition, there are two important elements to observe: «(…) the probability of risk to occur and the potentially lost in case of risk occurring. These helps defining risk exposure. Some of the authors propose the extension of these elements to: the value of asset, threat frequency, threat exposure factors, safeguard effectiveness, safeguard cost and uncertainty (…)». For this definition some authors have introduced a further extension that concerns «(…) the human factor (considering all the aspects related to it: professionalism, skills and abilities, psychological factors), the most incontrollable part of every system (…)» (Măzăreanu, 2007: 46).

Following this new approach – in which the human factors became a variable of the “Enterprise Risk Management” – the potential diversities (regarding, e.g., gender, age, ethnicity, physical and/or mental ability, traditions, customs and traditions, sexual orientations, etc.) may assume a
value of positive strategic pulse to put at the centre of an appropriate corporate enhancement strategy.

In this new vision, the “diversity” takes on a configuration of opportunities to be seized and not just that of a risk to be prevented by the methodologies oriented to “Enterprise Risk Management”: the new awareness pertaining to “Diversity Management” can be considered the foundations for a new organizational paradigm (Gilbert et al., 1999).

In order to achieve the objectives set out as a premise, the paper proposes in the next step the definition of the “Diversity Management” through the international literature review that defines this concept as follows: «(...) Acquiring the necessary knowledge and dynamic skills to manage such differences appropriately and effectively. It is also about developing a creative mind-set to see things from different angles without rigid prejudgment (...)» (Ting-Toomy et al., 2005: 21) and the empirical evidence demonstrates that «(...) a diversity and equality management system (DEMS) contributes to firm performance beyond the effects of a traditional high-performance work system (HPWS), which consists of bundles of work practices and policies used extensively in high-performing firms (...)» (Armstrong et al., 2010: 977).

In the international literature, most definitions differentiate “Diversity Management” from Affirmative Action (AA) plans and/or Equal Employment Opportunity (EEO) programs. On this topic Pitts says: «(...) where AA/EEO is mandatory, legal based, short-term and limited, while managing diversity is voluntary, productivity-based, long term and ongoing (...)» (Pitts, 2005: 10).

Following our approach, the paper presents the “Diversity Management” as a direct manifestation of “corporate social responsibility”, in which definition only voluntary actions are relevant (see previous paragraph): in adherence to this definition, the present proposal does not include the Affirmative Action (AA) plans and/or the Equal Employment Opportunity (EEO) programs in the determinants of “Diversity Management”.

Connecting with the contents explained in the previous paragraph, the “glocalization” represents a paradigm of “Fair or Positive” globalization oriented to the “Diversity Management” approach (Dumitrescu et al., 2010; Johannisson, 1994; Khondker, 2004; Robertson, 1994). About the significance of the term “glocal” shows the following quote: «(...) According to the dictionary meaning, the term “glocal” and the process noun “glocalization” are “formed by telescoping global and local to make a blend” (The Oxford
Dictionary of New Words, 1991:134 quoted in Robertson R., 1995:28). The term was modelled on Japanese word “dochakuka”, which originally meant adapting farming technique to one’s own local condition. In the business world the idea was adopted to refer to global localization (Smith, 2001). According to Robertson, glocalization means “the creation of products or services intended for the global market, but customized to suit the local cultures” (…)» (Pollifroni, 2006: 4).

At this point it is necessary to clear away two potential misunderstandings.

The first issue concerns the distinction between the “Diversity Management” and the strategies of “Business Diversification”, that the international literature identifies in two distinct models as follows: «(…) Two distinct modes of diversification have been identified: unrelated and related. Unrelated diversifiers have been defined as firms that diversify predominantly across industries, while related diversifiers have been defined as firms that diversify predominantly within industries (e.g. Palepu, 1985). Related diversifiers, obtaining economies of scope and synergies, are hypothesized to exhibit higher levels of profitability than unrelated diversifiers. This hypothesis, first supported by Rumelt (1974), has been confirmed by numerous subsequent studies (e.g. Suzuki, 1980; Christensen and Montgomery, 1981; Bettis and Hall, 1982; Palepu, 1985) (…)» (Cham Kim et al., 1989: 46).

So in some cases the single corporate practice can simultaneously be of interest to the two disciplines (e.g. this is valid for the “glocalization” explained below), while in other situations this dichotomy is less visible (e.g. inside the “Disability Management” practices).

The second consideration concerns the kinds of companies interested in “Diversity Management”. It should be noted, in conclusion, even if the paper has as main reference to the companies/enterprises (generalizing the sector of profit-oriented organizations), the topics covered concerning “Diversity Management” are relevant also for the public sectors (McDougall, 1996; Pitts, 2005; Soni, 2000) and for the not-for-profit organizations (Anheier, 2000; Smith, 2005; Tomlinson et al., 2010).

Drawing inspiration from the previous pages, the most important contribute to analysis the impact of “Diversity Management” on the corporate performance can be attributed to Pitts David W. (Pitts, 2005; 2006; Pitts et al., 2009; Pitts et al., 2010): this bibliographic evidence justifies the choice to discuss and explore the Pitt’s contribution in the following pages.
The methodology used by the author in order to ascertain what are the variables of the “Diversity” can explain the company's performance, is based on a multiple linear regression GLS (Generalised Least Squares) model used as a tool for verification of significance the independent variables and the correct estimate of the regression parameters ($\beta_i$) of OLS (Ordinary Least Square) model. The model used by Pitts presents the following formulation (Pitts, 2006):

$$P_t = \alpha + \beta_1 P_{t-1} + \beta_2 H_t + \beta_3 C_t + \beta_4 R_t + \beta_5 X_t + \varepsilon_t$$

(1)

The following meanings are attributed to the symbols used in the previous formula:

- $P_t$ = Performance outcome
- $P_{t-1}$ = Autoregressive term
- $H_t$ = Vector of heterogeneity variables
- $C_t$ = Vector of cultural synergy variables
- $R_t$ = Vector of job satisfaction variables
- $X_t$ = Vector of control variables
- $\varepsilon_t$ = Error term

Before addressing the discussion on the Pitt’s model, it is necessary to make a brief digression on the concept of “Diversity” in terms of conceptual evolution and related classifications; on these topics, Kreitz (2008) wrote: «(…) Diversity has been an evolving concept. The term is both specific, focused on an individual, and contextual, defined through societal constructs (Moore, 1999). Many current writers define diversity as any significant difference that distinguishes one individual from another—a description that encompasses a broad range of overt and hidden qualities. Generally, researchers organize diversity characteristics into four areas: personality (e.g., traits, skills and abilities), internal (e.g., gender, race, ethnicity, I.Q., sexual orientation), external (e.g., culture, nationality, religion, marital or parental status), and organizational (e.g., position, department, union/non-union) (…)» (Kreitz, 2008: 2-3).

Next to the classification previously enunciated (Gardenswartz et al., 1993; Loden, 1996), the international literature has proposed further
alternative models of classification: these approaches are illustrated below very briefly.

Another alternative approach divides the “Diversity” in two clusters, “Primary Diversity” and “Secondary Diversity”.

The first one – “Primary Diversity” – concerns those differences that refer to items that cannot be changed or - in some cases - may provide a difficult change (e.g. such as ethnicity, mental skills characteristics, gender, etc.), while the second one – “Secondary Diversity” – includes aspects that can be changed several times during the human life (e.g. such as organizational role, professional experience, educational background, family status, geographical location, etc.) (Hubbard, 2004; Pelled, 1997; Simons et al., 1999). Further contributions suggest a dual classification based on the impact of highly and less job-related diversity (Webber et al., 2001) and on the visibility of the phenomenon (Beatty et al., 2006; Osler, 2006).

The latter classification proposed – concerning the visibility of the “Diversity” – can be put in relation to the external reputational perception on the external environment induced by the company (Barnett et al., 2006; Helms, 2007; Schettini Gherardini, 2011): an attempt to summarize the different approaches of classification applied to the “Diversity” is offered in the follow Figure 1.

At this point, it is possible to connect the different approaches of classification applied to the “Diversity” with the Pitt’s model previously exposed: this will be done in the conclusions of the paper.

Figure 1: synthesis of the different approaches of classification applied to the “Diversity”
4. Conclusions

With reference to the Figure 1, Pitt’s analysis has a strong position on the left section of the Figure, section concerning “Diversity” dimensions with low external impact and low reputational impact: these dimensions concern mainly organizational aspects.

This is a traditional approach that identifies the “Diversity” as an internal organizational problem to manage (relevant to the “Diversity Management”), while it should be seen as “Richness”, following a revised perspective to change from being a determinant of “Diversity Management” (traditional approach) to become a strategic key driver oriented to the “Diversity Engagement” (innovative approach).

This approach tries to draw a “trait d’union” between seemingly distant concepts, as substantially, “Diversity”, corporate performance and corporate reputation. In this sense, for example, an enterprise could associate the management of its “Diversity” in specific policies oriented to the Cause Related Marketing (in acronym CRM) (Adkins, 2007; Barone et al., 2000; Ross et al., 1992). The distinctive element of this example is to be found in the internal destination of the CRM, while these practices are usually used for financing external philanthropic purposes.

The example shown is just one of many cases that corporate practices could offer using this slogan: Buy my products to protect and defend the
“Diversity”: the positive impacts on the Company’s reputation and on his performance (in terms of potential revenue growth) are obvious and intuitive.

The further developments of this contribution will be oriented to formulate empirical evidences of the contents exposed previously and to develop further theoretical models: through this methodological approach, we will seek to provide empirical evidence to what we have tried to illustrate in these pages.

5. References


