

International Diversity Management: Global Ideals and Local Responses

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While the concern with demographic diversity in organizations has increased during recent years, international diversity management still remains an understudied area. This is unfortunate since the transfer of diversity management practices within multinational corporations faces particular challenges in balancing between global integration and local responsiveness. The aim of this paper is to illustrate some of the central problems that multinational corporations need to deal with when transferring diversity management practices from headquarters to local subsidiaries. This is illustrated by the results of an ethnographic field study on Danish expatriates in a Saudi subsidiary. Implications of the findings are discussed in detail.

Introduction

Increasing globalization as well as national concerns about growing demographic diversity have enhanced the need for understanding heterogeneity in organizations (Shen, Chanda and D'Netto, 2009). In consequence, diversity management has been developed as an approach to deal with demographic variety (Subeliani and Tsogas, 2005). Diversity management suggests that dissimilarities can be used constructively in business activities, such as customer relations, talent management and organizational learning (Ely and Thomas, 2001). Thereby, diversity management has to some extent replaced the equal opportunity movement by introducing business reasons as a substitute for moral diversity arguments (Noon, 2007; Tatli, 2010; Wrench, 2005). Even though diversity management has become widely accepted by corporations, it has by some been perceived as a drawback for minority groups because the introduction of a business case argument could remove the focus from inequality and discrimination (Dickens, 1999; Lorbiecki and Jack, 2000).

Although the idea of managing and using demographic diversity has caught attention on a global scale, the many programmes for doing this

still represent great variety (Calas, Holgersson and Smircich, 2009). Moreover, the travels and translations of these practices across different national contexts are adding further to this diversity of diversity management approaches (Glastra *et al.*, 2000; Lauring, 2009; Omanovic, 2006; Pringle, Shepherd and Jones, 2000). The findings of these studies have generally demonstrated that interpretations and practices in diversity management vary between different nations.

While the literature on the travels of diversity management theories has dealt with transferring definitions and applications from one country to another, little attention has been directed at how this happens within corporations (Ferner, Almond and Colling, 2005; Sippola and Smale, 2007). Özbilgin and Tatli (2008), however, have explored different dimensions of global diversity management and define it as the planning, coordination and implementation of management strategies, policies, initiatives and development activities with the aim of accommodating diverse sets of working in organizations with international workforces (p. 8).

Unfortunately, international diversity management in multinational corporations (MNCs) has proven problematic leading to frequent failures in the creation and development of such pro-

grammes. Egan and Bendick (2003) studied how the organizational structures and objectives of US organizations determined their choice of diversity management approach in Europe. They concluded that diversity management practices can rarely be transferred directly from MNC headquarters to other national contexts. Nishii and Özbilgin (2007) argue that problems in transferring diversity management practices in MNCs are mainly the result of a lack of legitimacy and relevance within policies created in one country and exported to another. However, more research is required to understand the challenges in transferring and applying diversity management practices in different units of MNCs. This paper therefore aims to explore the defining and the uses of demographic heterogeneity in an international management situation by asking the question: what happens to corporate diversity management practices when applied in a foreign subsidiary context?

An example of Danish expatriates in a Saudi subsidiary with 14 different nationalities is chosen because it represents an extreme case for illustrating some of the main issues that would be worth paying attention to for international corporations intending to transfer diversity management initiatives to foreign subsidiaries. In this paper, the main focus will be on ethnic diversity.

There are some bodies of theory that could be specifically relevant for understanding the transfer and transformation of diversity management practices within MNCs. Literature on global integration and local responsiveness (Bartlett and Ghoshal, 1989) could provide insight into the macrodynamic of international business procedures and strategies. Theories on social categorization and group relations (Tajfel and Turner, 1979) may help to explain the local individual and group based reinterpretations and actualizations of defining and using demographic heterogeneity in organizations. Hence, the following section will deal with a literature review of these theories.

Literature review

Global integration and local responsiveness

In a classic contribution, Bartlett and Ghoshal (1989) argue that MNCs face competing forces of global integration and local responsiveness. Global integration concerns the coordination of activities in an attempt to build efficient opera-

tions networks in order to take maximum advantage of proven successful procedures across national boundaries (Brock and Siscovick, 2007; Saka-Helmhout, 2007). Local responsiveness, on the other hand, concerns the attempt to respond to specific circumstances within a variety of different locations. The need for local responsiveness usually arises from differences in market conditions and political environments in which MNCs operate (Yu, Subramaniam and Cannella, 2009). Cultural distance is also mentioned as an important factor that could increase the difficulty of the headquarters' management and control initiatives (Teece, 1985). A corporation's foreign subsidiaries, in other words, must be differentiated enough to successfully confront local markets, cultures and business practices that contrast with those of the home country. This flexibility, however, must be accommodated within a structure that facilitates the best contribution to corporate performance (Roth, Schweiger and Morrison, 1991).

Most MNCs aim to transfer the well proven management practices that originally enabled the corporation to expand out of its domestic market to its foreign subsidiaries (Birkinshaw and Hood, 1998; Luo, 2001). However, although successful in the headquarters, these practices may not always suit subsidiaries due to cultural and societal differences affecting the management situation (Dimitratos *et al.*, 2010; Hannon, 1995).

Some authors go as far as to argue that no competitive advantage can be derived from developing an international human resource management strategy due to cultural differences (e.g. Adler, 1997). Others again maintain that if one considers carefully what to copy and what not to copy, there could be advantages in using proven global templates (Winter and Szulanski, 2001). Similarly, Sippola and Smale (2007) suggest that human resource management practices such as diversity management are culture specific and that their transfer could be difficult but not impossible. The goal is to replicate only those attributes of the business model that are replicable and add value, ignoring traits that, although replicable, fail to add value in the new context. Finally, global integration of some ethical standards in people management could be crucial in maintaining an overall positive image of the corporation (Peng and Lin, 2008). This concern may in some cases lead to what has been termed a *faux-replication* strategy (Winter and Szulanski, 2001) or, in

the diversity management literature, a *showcase* (Prasad and Mills, 1997). Such strategies involve the pursuit of the reputational advantages of true global integration of specific procedures, but without involving the internal processes of the subsidiary.

In the case of global integration of diversity management, practices would often be developed in the headquarters but, when they are transferred and used in different international subsidiaries, they become exposed to different circumstances that may be incompatible with the original idea. For example, different cultural contexts may well include different perceptions on demographic heterogeneity as well as varying views on acceptable differentiation in distribution of power among groups (Prasad and Mills, 1997; Tatli and Özbilgin, 2009). Moreover, parent companies may also be less dedicated to ensuring homogeneity in diversity management if legal or cultural differences can be used as an excuse for more dilute diversity management approaches.

Social categorization and group relations

Although diversity management stresses the value of demographic heterogeneity, robust social psychological theories such as social categorization theory show that individuals tend to communicate and collaborate mostly with those who are similar to themselves (Tajfel and Turner, 1986). Moreover, in social categorization processes, individuals may come to perceive others not as unique individuals but as examples of a group membership (Phillips *et al.*, 2004). As such, there seems to be basic psychological mechanisms that could counteract the good intentions of managing and using diversity constructively as well as maintaining equality in employee opportunities (cf. Tanghe, Wisse and van der Flier, 2010). This is likely to be enhanced in MNCs due to ethnic affiliation or linguistic differences being particularly strong markers of social identity (Lauring, 2008). While social categorization theory depicts psychological processes for inclusion and exclusion, it pays less attention to the effect of inter-group power relations. Syed and Özbilgin (2009), on the other hand, indicate that diversity should be understood in relation to the complex multi-level factors responsible for constructing differences in the workplace. The macro-, meso- and micro-levels of diversity management related

activities are interrelated and affect each other through different mechanisms. For example, diversity may be actualized by competing groups through its usefulness for work results (Janssens and Zanon, 2005). Hence, one might conceive of the social organization of differences as mutually constitutive dynamics of individual positioning, organizing and group-making (Bourdieu, 1990). In this way, group relations can be vested with ethnicity (or other markers of difference), meaning that conflicts of interest become 'ethnified' or nationalized as a way of organizing struggles for resources and recognition (Brubaker, 2002; Klein and Harrison, 2007).

Business arguments for diversity management are often presented as being of voluntary character rather than as a set of moral and legal obligations. This perspective may thus provide dominant groups in some diverse organizations with options of differential treatment of less powerful minority groups (cf. Dickens, 1999). In other words, the business case argument for diversity management may divert attention from structural inequality and moral constraints as long as subsidiaries use diversity in a way that legally yields a financial surplus. Tatli (2011) outlines a case where the business argument for diversity management is replacing equal opportunity arguments. She argues that the choice of one discourse over the other may act as a criterion for qualifying to enter into the field as a diversity management practitioner. Hence, individuals and organizations may strategically manoeuvre between different discourses of diversity management in order to achieve different aims.

The above theories are the points of departure for the present research on transfer of corporate diversity management practices to a local subsidiary. An ethnographic approach is chosen because the existing literature on international diversity management is still too scant to form a basis for formulating and testing hypotheses. Furthermore, the dynamics of organizational and social processes as enacted in the local setting are well captured by this approach.

Methodology

Background and setting

Saudi Arabia is an absolute monarchy, where the King is the chief figure in the government and

Head of State. It is also an Islamic state in which the Holy Quran is perceived to represent the most suitable legal system. Political parties or trade unions are not allowed (Mellahi, 2007). Accordingly, corporations have few legal obligations towards employees, especially foreign workers, who often work under harsh conditions and can be laid off at short notice (Wapler, 2001). Foreign workers from Southeast Asia, the Philippines or Egypt etc. are generally paid only one-third of the salary of Saudi nationals even though they are perceived to be a far more disciplined and productive labour force (Mellahi, 2007). In consequence, ethnic diversity is very high in the Saudi labour market even though Saudization laws are introduced to force private sector firms to employ Saudis. This practice can be somewhat related to an affirmative action, quota-driven employment policy for the dominant but less productive majority (Alserhan, Al-Nakeeb and Forstenlechner, 2010; Forstenlechner, 2010). Many private sector organizations, however, engage in window-dressing activities by recruiting Saudis to meet the legal quotas without involving them effectively in the organization (Mellahi, 2007). Hence, Saudi organizations have for many years included foreign labour which means that a specific local style of diversity management has evolved in the country. Saudi laws are not only discriminatory to foreign workers. Saudi Arabia also has the most restrictive laws on employment of women in the whole Gulf area (Harry, 2007). Female participation in employment is estimated to be only around 10% in Saudi Arabia, and they are generally employed in the public education and health services (Winckler, 2002). Accordingly, Saudi laws provide private corporations with opportunities and in some cases incentives for maintaining certain types of demographic inequalities.

The corporate subsidiary selected for this study is part of a large Danish corporation (more than 20,000 employees worldwide). The Saudi subsidiary employed around 400 individuals of 14 different nationalities – mainly from India (251), Egypt (80), Saudi Arabia (45) and the Philippines (37). Additionally, 16 Danish expatriates and one British employee were stationed in the subsidiary. In line with the general trend in the country, only men were employed. Except for the British employee, only Danes occupied positions in the management group.

The corporation was relevant to this project because the human resources department in Denmark had in 2008 launched a global diversity management strategy. The general diversity management policy was described in the following way:

It is corporate policy to create a workplace that reflects the nature and diversity of society; to treat employees equally and to value their contribution to our business regardless of ethnic origin, sex, age, religion, marital status or sexual orientation.

Moreover, it was formally stated in the company management philosophy:

We aim to attract the best employees available. By managing diversity we can use all resources in our increasingly heterogeneous society. When we recruit and retain diverse employees, we can take advantage of the unique talents that they bring. We believe that people with different backgrounds have a higher potential in terms of creativity and performance.

The above view on diversity management combines an equal opportunity perspective with a business case perspective in a way that is common in Danish corporations (Risberg and S  derberg, 2008). The main driver for diversity management seemed to be the increasingly diverse Danish labour market. Legal requirements were not mentioned as drivers for diversity management.

Diversity management officials were situated centrally in the corporate human resource department, and as such diversity management ideals were part of the overall corporate culture programme. Local human resource departments as well as general managers of subsidiaries were responsible for implementing corporate values including diversity management initiatives. Even though diversity management officials in the headquarters provided materials and guidance in the implementation of diversity management initiatives, little global monitoring of the implementation rate or effectiveness of these policies existed. This was especially the case for non-European subsidiaries. There was some reluctance in the headquarters to be too strict in forcing corporate policies upon subsidiary units. As a top manager explained: ‘We can provide guidelines, but they know best how to implement them locally’. Also, while corporate guidelines

were exported globally, there were few, if any, possible sanctions if local units failed to implement them.

Data collection

Ethnographical field work usually includes data collection through participant observation, semi-structured interviews and corporate documents. New information gained through one technique often leads to changes in the focus of other data collection tools in the spirit of data source triangulation. For example specific observed incidences could result in added interview guide questions and new searches in corporate documents. However, although information found through one technique can be tested by the use of other techniques, this does not guarantee full objectivity. The researcher in an ethnographic field study is at the same time a participant and an observer in the field and thus subjectively involved in generating the findings (Bourdieu, 2003).

Participant observation

When using participant observation, the ideal is for the researcher to be able to recognize and understand the social organization of interaction. Apart from being stationed in a centrally located office in the subsidiary and taking frequent strolls throughout the organization, the author also participated in a number of other activities such as strategy meetings, sales target briefings and production operations, and accompanied sales personnel on the road etc. During daily walks around the plant, the researcher gradually became familiar with a substantial number of the organization members, at all levels and in all functions. However, since the researcher was not directly connected to any department, there was no danger of becoming too much a full member of any group. Officially, diversity management initiatives were housed by the subsidiary's human resources department. However, in reality, due to the organization's limited size, policies regarding diversity management seemed to be communicated directly from the General Manager.

Most working hours were spent at the workplace. Furthermore, evenings and weekends (Fridays) were spent interacting with and observing the group of Danish expatriates where they

lived in a large compound. The researcher participated in a number of parties, dinners and other social gatherings. Accordingly, the author may thus have acquired a deeper understanding of the Danish community compared with third country nationals (TCNs). However, TCNs had relatively little spare time compared with the expatriates, and interaction with these employees during work hours provided good insight into their values and attitudes to diversity management. The Danish nationality of the researcher may have affected the situation. The researcher, however, presented himself as an independent researcher, and a large number of TCNs saw the interview as an opportunity to air disagreements in an anonymous context.

Altogether, the degree of observation and participation that occurred depended on the different activities. During business meetings in the management group or sales target meetings led by TCN supervisors, the main focus was on observation, and in social gatherings it was mainly participation etc. Observations were often discussed with a Danish expatriate contact person. This person was a younger member of the management group and not yet entirely integrated in the workplace.

Interviews

Data from semi-structured interviews with expatriate managers (16) and TCNs (13) are used. Moreover, five interviews with headquarters employees are included. Interviews with headquarters employees were conducted before the fieldwork and some comments on the results were collected after. Interviews in the subsidiary were conducted during the whole extent of the fieldwork in order to be able to discuss observations made in the field. Each interview covered a standard set of questions, although the researcher encouraged interviewees to raise and discuss a variety of additional, related topics as well. Moreover, specific questions were added in relation to observed incidents and adjusted to interviewees. At the end of each interview, interviewees were asked to share any additional information they felt was relevant. At that point, some further comments on the situation were sometimes expressed. To increase the accuracy of their responses, each interviewee was assured anonymity.

Physically, the interviews took place in the offices of the interviewees or in available meeting rooms at the workplace and lasted between one and two hours. Elite bias was avoided by interviewing individuals at all different levels. All Danish expatriates were interviewed formally. Among TCNs, formal interviews were conducted with six Indians, three Filipinos, three Egyptians and one British employee. Only informal interviews were done with Saudi nationals. These were conducted as conversations held in the gate of the factory site or during transport with Saudi special delivery drivers. All interviews were conducted in Danish or English. TCN interviewees were generally selected to be representatives of all nationalities, all functions and all levels in the workplace. Informants with an interest in diversity issues and sufficient language skills were preferred in order to provide the highest quality data. Although the selection of open and interested interviewees may have affected results in a certain direction, the aim of this study was to explore and analyse central dynamics in the interpretation and enactment of diversity approaches rather than to achieve a full employee representation.

Document review

The researcher reviewed 47 relevant newspaper/magazine articles and webpages about the corporation and its subsidiary along with some internal documents such as human resource manuals and management philosophy statements etc. These data were juxtaposed with field notes and interview transcripts. In total, the three data sources yielded a database of several hundred pages.

Analysis

Theme analysis followed the steps described by Spradley (1980) and involved detailed close reading and coding of field notes, interview tran-

scripts and documents, which led to the development of detailed descriptions of the research site. An assistant coder, who was not directly involved in the study, was trained to do a second coding of the material. Afterwards we discussed the few discrepancies in the two sets of codings and decided on where to finally place these last text pieces. By use of the qualitative analysis program Nvivo, the data were sorted according to the central themes linking to the research question. Thirty-two main field codes (see the Appendix) were divided into between two and seven sub-codes which were again subdivided in between two and four sub-sub-codes. For example the code 'Intercultural interaction' included the sub-codes (1) motives, (2) social relations and spare time, (3) corporate policies, (4) responsibilities, (5) promotions and (6) outcomes. As an example, the sub-code 'Outcome' was then further subdivided into the sub-sub-codes (a) outcome of intercultural communication, (b) outcome of management practices and (c) outcomes of workplace ethnocentrism.

Results

In the following section, the main facilitators for changes in diversity management practices across units will be identified and their organizational outcome will be described. Main facilitating factors, key changes and outcomes are summarized in Table 1.

Main facilitators of diversity transformations

Perceived non-functional management style. A substantial obstacle to the transfer of diversity management practices in the local subsidiary seemed to be what the expatriate managers perceived to be the ineffectiveness of the empowering and inclusive diversity management styles exercised at the headquarters. Thus:

Table 1. Local adjustment of diversity management practices

Facilitating factors	Key changes	Outcomes
Insufficient effect of corporate management style	Adopting a disempowering management style	Intercultural scepticism and disappointment
Demands for short-term measurable results	Formation of ethnicity based organization design	High productivity but reduced potential for cross-national employee development and collaboration
Local autonomy	Strategizing and lowering ethical standards	Mutual cross-national suspicion and hostility

To begin with you are probably a bit too ambitious or too Danish in diversity management. You start out with involving the other nationalities too much and then eventually you conclude that it doesn't work. Then you learn not to waste your time. You know, the Danish way can get you far but there is no point dragging on for the last bit. Then it will be like: You do this and you do that – and that is how it has to be. (Danish Manager)

The 'Danish way' was explained to be a democratic management style which was in line with formal diversity management ideals as described in corporate policies: 'Diversity management is about motivating and empowering different employees to do their best despite their gender, age, or ethnicity'. What the Danes experienced as obstacles to their inclusive management styles was often interpreted as other nationalities' lack of independence. This made the Danes manage in a more authoritarian manner.

In some ways it is easier to work with Indians, Filipinos and Egyptians and in some ways it is more difficult. Here you can also make demands – just on a different level. . . . It is a lot like – I want it this way! It is more like raising children – not to be offending. (Danish Manager)

The expatriates felt they adjusted to a different cultural context and thus found it difficult to use management practices that were developed to include diverse human resources in the headquarters. Hence, the management style applied to other nationalities was patronizing rather than empowering and thus far from the ideals expressed by the headquarters and the 'Danish way'.

Local subsidiary autonomy. Another reason to reinterpret corporate diversity ideals was the very limited monitoring of the subsidiary's activities by the headquarters due to the Saudi unit's positive financial achievements. As it was argued: 'The headquarters understands that we know what is going on down here and when you have a successful subsidiary then that becomes the driving force of what happens' (Danish Manager). A diversity official in the headquarters described the situation thus: 'Some subsidiaries have a special culture based on their history. Sometimes it can be difficult to introduce changes such as diversity management initiatives if they are already satisfied with how things are' (HQ Diversity Official). This

meant that a range of corporate guidelines were not implemented in the subsidiary due to perceived differences in the local business environment that were used as an excuse for leaving things as they were. As one put it:

Ethically speaking you cannot exactly say that we follow all corporate values on managing diversity and so on. If seen from the headquarters, some would probably claim that we exploited some employees. But we follow much of the culture that is in this country. I feel I can defend that. (Danish Manager)

Hence, the subsidiary management reasoned that it was free to choose local adjustment over global integration in diversity management practices. This decision, however, affected equal opportunities in a negative direction.

Result oriented career planning. All expatriate interviewees felt they were mainly evaluated based on the financial performance of the subsidiary and that the development and inclusion of non-Danish personnel was not something that was included in repatriation considerations by their superiors in Denmark. This perception was based on the history of repatriation practices. Thereby values and strategies became almost entirely linked to sales targets. One argued: 'Management ideals down here are that it is important to sell some goods' (Danish Manager). Another conveyed a similar view: 'Measurable results are central. Being nice doesn't pay off' (Danish Manager). Accordingly, the expatriates were highly concerned with improving financial results in order to enhance their career opportunities when being repatriated. As one described it:

Everybody knows that when they get down here that is a chance to return in a better position in the headquarters. That means that people want to be in on something that looks successful. 'If you just make some money.' That is the thought I have in my head. But people are enormously scared that something may go wrong that last six months. It has to look nice at the surface in a way that no one at home can see any problems. (Danish Manager)

Consequently, it appeared to the Danish expatriate managers that short-term measurable results were of higher value to the headquarters than developing the local workforce or using diversity in a constructive fashion. Added to this,

the inclusive management style that was idealized by the headquarters, in the expatriates' mind, was not sufficiently effective to deal with non-Danish individuals. Finally, expatriates felt that autonomy was granted at a level that allowed them to make use of local rather than corporate practices in order to live up to perceived financial expectations. Hence, expatriates felt that they were mildly urged to use the 'Danish way' for managing diversity but that creating financial results by managing the diverse workforce effectively was even more important. Accordingly, they chose to abandon the empowering, equal opportunity approach to diversity and replace it with a management style that was purely oriented towards increasing employee productivity.

Organizational outcomes of diversity management transformations

Scepticism towards other nationalities. As a result of the perceived misfit between the inclusive management style of the headquarters and the expatriates' perception of the capabilities of the local workforce, disappointment developed that gradually led expatriates to feel scepticism towards other nationalities. A newly arrived Danish manager put it thus: 'I have found that it is by no means possible to be too soft-hearted. Then you can choose to call it a racist attitude but what is racism actually?' Another expatriate conveyed a similar view: 'You develop an understanding of other people like they can't think and they are trying to cheat and deceive you and therefore need surveillance'.

Danish managers believed that TCNs needed very strict control and applied a system of fines, allowing managers and supervisors to deprive workers of a day's pay if they acted against regulations. This view was based on both rumours and observed incidents. Some TCNs would try to shorten their stay by different criminal acts. It could be drivers cheating on the gas mileage or salesmen running off with the income of the week. Such occasional thefts and tricks had a high impact on the Danish mistrust of other nationalities. For example, non-Danish employees were not allowed in the room where presents and prizes for marketing purposes were kept. However, scepticism could also arise from misunderstandings. For example, one day a salesman suffered from a heart attack and one of his co-workers explained

that he for quite a while 'had been taking some drugs'. Even though it was in fact medication for his heart condition, his Danish manager immediately misunderstood it for being use of narcotics. Subsequently, some of the managers proposed setting up video surveillance both in the production areas but also in the workers' home quarters to guarantee that no illegal activities took place.

From the TCNs' point of view, the Danes were autocratic and inflexible with little concern for using the diverse human resources in the subsidiary most effectively. As an Indian employee expressed it: 'We always just have to say – yes, yes. We can never say no to anything. If there is a manager saying it is night when it is day and we object we will be fined.' An Egyptian supervisor conveyed a similar view regarding the Danish management styles: 'If you want to work in this company, you have to be like those monkeys that cover their mouth and eyes and ears. We have to be their monkeys.' A central point was made by a Filipino employee: 'Europeans are very racist, they just don't know it'. Hence, a mutual scepticism and mistrust developed between Danish managers and TCNs. Rather than creating understanding between different nationalities, the diversity approach used by expatriate managers which discriminated certain ethnic groups led to polarization.

Simplification of the organizational structures. Because expatriate managers felt they were mainly rewarded by the corporate management on the basis of measurable financial results, they focused on achieving easily attainable short-term goals. Accordingly, the organization was stratified in what could be called an ethnically segregated hierarchy with only Danes at the top and only Egyptians in middle positions. A Saudi employee remarked: 'Many nationalities that we have here are not suited to hold managerial positions. Also they do not speak Arabic.' This statement seemed to be directed towards immigrants from Southeast Asia. However, most western expatriates in Saudi Arabia held management positions without any knowledge of the Arabic language.

While the stratification was mainly implemented to simplify the management of the diverse workforce, it also fostered discrimination of particular groups. As an example, the Egyptian supervisors would often give the best selling prod-

ucts to Egyptian salesmen, thus making it more difficult for other nationalities to collect their sales bonus. One of the non-Danish employees told the researcher that they felt that there was a kind of 'apartheid' in the company, and another said that there was a situation in which 'the Danes are divorced from the rest like feudal landlords'.

Apart from de-motivating the workforce, the social organization of the subsidiary also had an unintended negative effect on the use of the diverse human resources. As was mentioned by an Indian employee:

I have lost my knowledge and my motivation. My skills are not used here. The most surprising is that everything I do goes completely unnoticed by the management. Nobody shows any interest. My skills are not even used 1%. (Indian office staff)

And clearly the social organization of the workplace meant that it was ethnicity rather than skills and knowledge which determined the position of an individual. As one put it:

There are so many people here in this company who are less educated. And so many people who are very well educated. The company is not looking after the people who know and not know. If they put the 'knows' people in a position where they can use it, it will be the most satisfying part of the employing. Most of the skills are not used. If they utilized them we could be a better company. (Egyptian Supervisor)

Hence, the ethnical hierarchy as an organizational structure seemed to ease daily management by reducing it to one-way communication from one national group to another. An example of the way the Danes excluded other nationalities from the communication channels was presented to the researcher by one of the Filipino employees. He once told the researcher that 'big guests' would soon arrive, so we should dress suitably for the next few days. When asked how he knew that, he responded that he had just seen the carpets being cleaned. He had noticed that this happened every time 'big guests' arrived. At lunch with the Danes later that day it was confirmed that there was to be a board meeting a few days later. Such an event was never publicly announced or mentioned in other ways. Only through the internal Danish conversation (or from observing the floor being cleaned) could the information be obtained. This way of managing an ethnically diverse staff did

not allow for the inclusion of talent and collaboration across nationalities as was the intention posed by the headquarters. Diversity management then became a question of utilizing the cheap TCN labour as effectively as possible without their involvement in any organizational decisions and with little concern for their motivation or well-being.

Lowering ethical standards. The extensive autonomy that the subsidiary enjoyed led to local norms being referred to in dealing with human resource issues. In Saudi Arabia TCN labour is generally perceived to be easily replaceable. In accordance with this notion, the Danish subsidiary management showed little initiative to protect this resource. Recruitment and retention of the best workforce were thus relatively separated from social responsibility and employee awareness, which were part of diversity ideals in the headquarters. Instead, the main focus was directed at keeping expenses low to maximize the profit. Consequently, TCNs worked long hours, often seven days a week, at a very low wage. This represented a clear divide between TCNs and expatriates.

In line with this practice there were quite a few examples of the Danish management relying on norms, directives and laws only if they were in accordance with the aim of increasing profitability. One example of a situation where the subsidiary did not attempt to abide by local legislation was the question of religion in the workplace. In line with the practice used in the headquarters, the subsidiary management did everything to tone down religious expressions and remarks in the workplace, but according to Saudi legislation this was not entirely legitimate. For example, it was illegal to deny Muslims access to the prayer room when the prayer was called – which was done to some Indian and Egyptian employees.

Moreover, several of the Muslim Indians were partly motivated to work in Saudi Arabia by the possibility of an inexpensive ticket for the Hajj, which is the annual Muslim pilgrimage to Mecca. The Danish management was aware of this, and therefore only permitted a few of the Muslim foreign workers to go to Mecca and only when they had worked in the company during a longer period of time, even though it was actually in direct conflict with Saudi legislation. Therefore, it was also stated in a subsidiary human resources

manual that was only accessible to the Danish members of the management group that the manager would have to make up some excuse to keep the employee from going. It said:

1. Each Manager decides himself who is allowed to go for Haij. Please consider that all departments must be operational during the period. 2. It is a must that the person has been employed for at least 2 years. Please note that this argument should not be used as an official excuse when somebody is rejected. (Subsidiary human resources manual)

One of the managers expressed it like this:

Regarding the Haij, we do not want sales staff coming over just to get their tickets paid just to quit afterwards, and therefore, they have to work here for at least three to four years before they can go. But we are not allowed to tell them this. We have to say that all seats are taken or something like that, because otherwise they will go to the employment authorities. (Danish Manager)

By leaning on the Saudi legislation's view on exploitation of the diverse workforce, the Danes could increase the company's profits, but when it came to religious matters they kept a stance which was in direct opposition to the local legislation and ethics. In this manner, the Danes used different legitimized norms and directives to increase profit at the expense of both local and corporate employee ethics. In other words, in terms of diversity management approaches, the expatriates as a dominant group used their power to change between ideals from global integration or local responsiveness strategically in order to achieve personal aims and gain financial benefits rather than to realize a balance between equal opportunities and business opportunities as was the expressed intentions of the headquarters. The headquarters, on the other hand, did little to make sure that directives were followed.

Discussion and analysis

In most OECD countries, organizations encourage workforce diversity due to legal and moral requirements or merely as window dressing. More recently, potential tangible business advantages have also been used to increase diversity concerns (Tatli, 2011). In countries such as Saudi Arabia, ethnic diversity is the norm in organizations. It is

born out of necessity due to shortage of skilled citizen labour rather than based on legal or moral requirements (Forstenlechner and Rutledge, 2010). Hence, strategies for diversity management in OECD countries may not be entirely transferable to MNC subsidiaries in all other countries (Sippola and Smale, 2007). On the other hand, basic ethical standards for managing diversity need to be maintained for the MNC to function as a coherent unit (Brock and Siscovick, 2007). This paradox between global integration and local responsiveness is known to pose challenges to MNC management (Bartlett and Ghoshal, 1989). However, as demonstrated in this paper, ambiguities caused by considerations of whether to use global templates or local adjustments of diversity management approaches can also be utilized by corporate headquarters as an excuse for not being entirely dedicated to implementing sufficient diversity management initiatives in all MNC units (cf. Winter and Szulanski, 2001). Hence, the transfer and implementation of diversity management practices in MNCs become not only a question of challenges in the global integration versus local responsiveness paradox but also a question of the willingness to ensure the same rights for all MNC employees. Diversity management may not be equally useful for business purposes in all MNC units. In some units legal requirements may be more demanding than in others. For example, a policy of excluding women entirely from the workplace would be impossible in all OECD countries. Reputation management could also be more critical in certain areas due to different consumer patterns or to accessibility for the press or non-governmental organizations. Finally, in some areas, such as the Gulf countries, discrimination may be a financial advantage. Hence, there could be some business advantages in maintaining ambiguity in international diversity management programmes. Theories of global integration and local responsiveness may thus be of some use in explaining international diversity management practices. However, intentions, business incentives and power related issues should clearly also be taken into consideration when analysing MNCs' motivation to transfer diversity management practices.

The local subsidiary management, which in this case was dominated by headquarters nationals, may also have had reasons to avoid a full integration of global ideals. This dominant group used

their own interpretation of diversity management to maintain their position and to promote management practices that could further their own opportunities beyond their international stationing. Hence, individual economic and career related motives may have influenced the interpretation and implementation of diversity management practices in the subsidiary. Moreover, communication difficulties and social categorization issues may also have influenced the decision to use the ethnical hierarchy to organize labour in the subsidiary (cf. Tajfel and Turner, 1979). This also leads to cross-cultural adaptation as a useful lens for understanding developing workplace racism in MNC subsidiaries (Kim, 1988). Some organization environments are known to put extensive pressure on expatriates to adjust (Hasleberger, 2005). In the presented case it was not a question of adjusting to Saudi practices but more to adjust to a dominating racism that existed in the management group.

The current study analyses international diversity management at different levels. At the macro-level corporate policies and practices are outlined. The meso-level includes group dynamics and intergroup interaction patterns in the subsidiary. Finally, racism and personal strategies for resource maximization relate to micro-level reactions to diversity. The presented case demonstrates that these levels should not be understood in isolation. They are interrelated and affect each other in different ways. Accordingly, the results support the argument that a relational approach that bridges the divide between macro-, meso- and micro-levels of analysis will arrive at a more comprehensive, realistic and context-specific framing of international diversity management (Syed and Özbilgin, 2009). In this regard, the reinterpretation of national and corporate diversity management ideals by the local group of expatriate managers and single individuals was made possible by a number of ambiguities that made it difficult for outsiders to access the practice and results of the subsidiary's diversity management approach.

Two types of ambiguities allowed the expatriate managers to reinterpret diversity management approaches. First, the paradox between global integration and local responsiveness made it unclear for corporate diversity officials to estimate the necessity for local adjustments. Second, since the subsidiary workforce was generally

recruited outside Saudi Arabia, the term local responsiveness became an ambiguous term referring sometimes to cultural norms of workers from Southeast Asia, Egypt and the Philippines and sometimes to the Saudi legal system. Such ambiguities allowed expatriate managers to use different global and local ideals strategically in forming a diversity management practice that fitted their personal preferences. Hence, it was not only variations between different countries' legal systems and cultural values that guided adjustments of policies and practices, the subsidiary management was also in a position to actively produce a specific diversity model (Pringle, Shepherd and Jones, 2000).

Conclusion

Very few studies have focused on diversity management in international MNCs (Özbilgin and Tatli, 2008; Sippola and Smale, 2007). Hence, this study contributes to theory development by providing an analysis of issues related to transfer of diversity approaches between headquarters and subsidiaries. From the findings of this paper it becomes clear that international diversity management is different from domestic diversity management mainly due to the global integration versus local responsiveness paradox. Moreover, ambiguities originating from the complexity of the international context make it difficult for corporate diversity officials to monitor diversity management reinterpretation and implementation efforts in local units. Finally, this ambiguity can be used by dominating agents to pursue what benefits themselves or certain parts of the organization at the expense of less powerful minorities (cf. Bourdieu, 1990). This study has also demonstrated that a specific organizational unit in a large MNC is able to produce a specific diversity approach independent of corporate policies (cf. Janssens and Zanoni, 2005; Pringle, Shepherd and Jones, 2000).

Limitations and future research

There are some clear limitations to the presented study. It is a highly explorative qualitative investigation based on data from only one host country in only one location, involving relatively few expatriate managers and TCNs assigned by only

one business firm. Hence, the possibilities of generalizing the findings to subsidiaries under other circumstances could be limited. On the other hand, the central issues at stake in this study including global integration and local responsiveness as well as group categorization and power relations are general to most headquarters–subsidiary relations. In consequence, although the results may be less outspoken in other contexts, the findings of this study have potential relevance to most processes involving the transfer of diversity management practices to MNC subsidiaries.

In the future, it may also be worthwhile to extend the scope of the study to different national contexts to assess the uniqueness of the findings. This study focused mainly on ethnicity, but future studies could also include other diversity variables such as gender or age. Finally, more systematic work could be done to understand the effect of cultural differences on diversity management approaches. In particular, the relation between intercultural adjustment of expatriate managers and their interpretation and practising of diversity management may be worth pursuing. For example, do expatriate managers adapt to a work environment which is discriminatory by design, or is there a racist in many expatriates that is just waiting to come out?

Implications for practice

There are two general problems that managers and diversity officials need to deal with in international diversity management. First, different legal systems, different cultural values and different effects of the global labour market make it difficult to approach diversity similarly in all MNC units. Second, we have to acknowledge that there could be socio-psychological power related as well as financial reasons to maintain inequalities (Noon, 2007).

To deal with the first issue, organizations need global diversity task forces that consist of employees from both the headquarters and subsidiaries. Diversity officers should be granted enough power to have an actual impact on the organization's diversity practices (Özbilgin and Tatli, 2008; Tatli and Özbilgin, 2009). In this way the headquarters and the subsidiaries can be in a continuous dialogue about how best to implement corporate practices in order to get a similar effect in all units while also considering the local

context. Local differences that affect diversity management practices should be explicated by the subsidiary management and discussed with officials responsible for local diversity and corporate diversity officials in order to come up with reinterpretations that neither dilute corporate policies nor damage local business too excessively.

The second problem is related to the fact that inequalities are sometimes preferable to dominant groups. This is also a problem in domestic organizations, but for international diversity management this is exaggerated by the fact that different countries have different legal systems and different cultural values. This leaves headquarters with greater responsibilities of ensuring that local units follow policies that may be stricter than what local law demands. Consequently, headquarters officials need to develop systems for monitoring diversity management initiatives globally. Such systems should include local subsidiary personnel but should also be enforced by more independent observers in order to avoid cheating or coercion. Added to this, the MNC has to critically review reward structures to see if mixed messages are communicated. If some reward structures have the potential to counter diversity initiatives, measures should be taken to change these or make it clear that financial results should not compromise diversity policies.

Appendix: Central themes (eight) and main field codes (32)

1. *Expatriate motivation*
 - 1.1 Career and economy
 - 1.2 Family life
2. *Recruitment of expatriates*
 - 2.1 Adjustment
 - 2.2 Repatriation
3. *Corporate use of diversity*
 - 3.1 The role of the diversity department
 - 3.2 Corporate gains
4. *Corporate culture*
 - 4.1 Corporate culture in Saudi Arabia
 - 4.2 Global values
 - 4.3 Social responsibility
5. *Differences from Denmark*
 - 5.1 Market situation
 - 5.2 Local law and human resources practices
 - 5.3 Religious practices
 - 5.4 Gender issues

6. *Relation between headquarters and the subsidiary*
 - 6.1 The Danish understanding of the Saudi subsidiary
 - 6.2 The Danish need for the subsidiary
 - 6.3 Usefulness of corporate policies
7. *The relation between expatriates and TCNs*
 - 7.1 The character of the Danish group
 - 7.2 The Danish management style
 - 7.3 Intercultural interaction and group formation
8. *Local company culture*
 - 8.1 History and company description
 - 8.2 Departments and the relations
 - 8.3 Management philosophy
 - 8.4 Rumours
 - 8.5 Loyalty
 - 8.6 Physical surroundings

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