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# **Diversity Management impact on financial and non-financial organizations' perfor- mance**

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## Introduction

During my Economics studies I have been always interested to the business' social role, and to the impact that social decisions and strategies applied inside companies could spread on performance and to the entire social system. Considering this aspect, one of the most important social themes that businesses have to deal with today is Diversity.

The concept of diversity is always more relevant in a multicultural and globalized society like the one in which we live today, that is the representation of diverse cultures, values, conditions and ways of thinking characterizing the population. The same diversities today could be seen inside the company environment, which is part of the open social system in which we live. Moreover, what the society ask actually is not only the recognition of diversity but also its valorization in order to achieve social and economic goals.

First of all, the valorization of diversity is connected to themes like the equity and inclusion, which give sense to diversity. For this reason, it is essential for the company, the development of a strategy which give value to diversity and manage it in order achieve better results.

The purpose of this thesis is to analyze the phenomenon of diversity management and its social and economic impact on business' performances. As said before, in the last years it appears always more relevant the importance to develop a strategy in order to manage diversity inside the company and in order to promote inclusion between employees, avoiding possible inequalities and barriers, that a lack of strategy could face in the business environment. The role of companies to promote inclusion and to develop social sustainability is crucial, giving the possibility to encourage equal education, equal economic conditions and opportunities between people, endorsing institutional policies and regulations.

There is evidence that a diversity management strategy followed by the promotion of inclusion is directly connected to businesses' performances. In particular the literature indicates two types of impact, the first one considering economic performances, measured

through economic and financial indices like the return on equity and the return on assets, the higher team and individuals' productivity; the second type linked to non-economic performances, measurable through the accomplishment of social sustainability goals, lower employee turnover, greater score on inclusion, better retention and the positive perception of customers and stakeholders.

The objective is to analyze the Diversity Management strategy in the company in order to understand if there is effectively a correlation with business' performances and in which way this strategy is currently applied.

The first chapter of this research is concentrated on the analysis of diversity management, contextualizing the strategy in the business environment, describing its meaning, its evolution, models and strategies applicable, taking in consideration the existing literature. Then it focused on the development of a good diversity management strategy, trying also to understand which could be the path to measure performances linked to diversity objectives.

The second chapter deals with the communication of Diversity. In particular it is faced to the role of Diversity in the Corporate Social Responsibility evaluating how organizations communicate their targets and their results. In this sense, corporate non-financial reporting results fundamental in order to improve stakeholders' perception, underling the important social role represented by the company. The commitment on social themes like Diversity and Inclusion and the disclosure of correlated information is in fact voluntary for organizations; but in any case, it is demonstrated that it is necessary, to be legitimated by the society and by stakeholders, in order to continue to be competitive and to exist in the market. Consumers and investors in particular ask always more commitment on social sustainability and relative information.

Furthermore, there is evidence about a strong relation between the Diversity Management practices and performance and Sustainable Development Goals, used in many cases by organization to report their results in term of sustainability.

In the third chapter, my objective is to understand if there is effectively a connection between diversity and performance, especially focusing on non-financial performance, which are the ones communicated in Corporate Social Responsibility reports.

I will consider a sample of companies implementing Diversity management practices, and high committed on sustainability themes. Moreover, in order to evaluate in which way companies, implement Diversity strategy, in line with social sustainable objectives, and how they measure results achieved, I will use a framework developed considering best practices, Sustainable Development Goals, and Literature Review.

The aim is the one to comprehend which performance companies have effectively achieved, which are their targets and how they communicate them to stakeholders in order to improve their awareness.

## **1) Diversity management: definition, evolution and models**

The purpose of this chapter is to discuss the concept of Diversity Management, starting from its definition and its evolution in the time, in order to understand the context in which it is applied. The following part is concentrated in the evaluation of diversity management process inside the company, considering the models applied approaching to differences and the fundamental role taken by Human Resources in this process, which have the responsibility to implement through concrete actions companies' strategies to manages differences. The last paragraph in this chapter deals with the measurement of differences inside the business to recognize and evaluate them; then some considerations and an overview about business' performances linked to the process, to understand which are the goals that companies could achieve through good diversity management decisions.

### **1.1 Definition of Diversity Management from the literature**

Why should companies concern themselves with diversity? This is the initial question that Thomas D. and Ely R.<sup>1</sup> asked starting their research article. The answer could appear quite simple considering the actual context in which companies work in an international scale, where diversity is common and accepted.

Diversity is part of the everyday life and a common characteristic of groups composed by two or more people. The company itself could be seen as a social group where different people interact and in order to have good interaction it could be essential a strategy.

However, if we consider business' environment, we could see that there are different alternatives in order to deal with diversity in the company. They are given by culture, values, habits, barriers which distinguish a population. Diversity could be treated in different ways, with consequential changing results: it could be ignored, discarded, tolerated or managed

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<sup>1</sup>Thomas D. and Ely R., 1996, Making Differences Matter: A New Paradigm for Managing Diversity, Harvard Business Review.



in order to create value from it. The decision taken by the company is not always the best one. For this reason, and due to the impact on social and economic results it is important to give a definition of Diversity Management, to understand which is the right strategy a company should use and why it is so important to be concerned, or better, interested about it.

The existing literature proposes various meanings of Diversity Management. In any case, the fact underlined in most of the definitions, is the scope for which diversity management is fundamental in the company. The common key definition could be synthesized saying that management of diversity relates to the management of individual employees' differences in order to create a good working atmosphere and to contribute and improve organizational performance.

An interesting and exhaustive definition of Diversity management is the one given by Brazzel (2003) which specifies that *“Diversity management uses applied behavioral science methodology, research and theory to manage organizational change and stability processes, that support diversity in organizations and eliminate oppression based on race, gender, sexual orientation and other human differences, in order to improve the health and effectiveness of organizations, while affirming the values of respect for human differences, social justice, participation, community, authenticity, compassion, proaction and humility, effectiveness and health, and life-long learning.”*<sup>2</sup>

Following the definition given by Roosevelt Thomas, which has introduced the concept of diversity management in 1991, it is defined as *“the commitment of an organizations to recruit, retain, reward, and promote a heterogeneous mix of productive, motivated, and committed workers including people of color, whites, females, and the physically challenged”*<sup>3</sup>.

A different definition is the one of Thomas and Ely for which, diversity management should be understood as the ensemble of approaches through which different identity groups are

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<sup>2</sup> Brazzel M., 2003, Historical and theoretical roots of diversity management, University Press of America, p.1.

<sup>3</sup> Ivancevich J. and Gilbert A., 2000, Diversity Management Time for A New Approach, Public Personnel Management, vol. 29, p. 77.

managed together in order to create value. The challenge for the company is not to increase differences inside the companies having always more employees representing different social groups, but to make an effort in order to permit a sharing of perspectives, knowledges and experiences, contributing in different ways in the business<sup>4</sup>.

The definition given by Gupta about managing diversity is a managerial process which aims to create a workplace where differences in heritage, background, style, tradition and views are valued, respected and used to increase organizational capacity<sup>5</sup>. In this definition it is interesting to know that diversity is seen directly connected with the possibility to improve the business' potential to perform, improving processes, relations, assets and knowledges. Pitts gives a similar definition saying that Diversity management concerns organizational and management practices that should enhance the value of diversity for the organization aimed at all employees<sup>6</sup>. The difference in its definition is that management of diversity appears fundamental in particular considering the perspective of employees creating a positive work place and increasing employees' motivation and participation.

Another interesting definition is the one given by Gilbert et al., saying that "Diversity management is a voluntary organizational program designed to create greater inclusion of all individuals into informal social networks and formal company programs"<sup>7</sup>.

This concept is focused on the social impact in the business given by diversity management, creating social groups which permits inclusion through the valorization and acceptance of differences. As in the definition of Pitts, the process is fundamental considering worker's motivation and their possibility of participation in the business. Another important concept expressed from Pitts is the voluntary in the application of the process, which is a personal

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<sup>4</sup> Thomas D. and Ely R., 1996, Making differences matter: a new paradigm for managing diversity, Harvard Business Review, p.80.

<sup>5</sup> Gupta P., 2019, Workforce Diversity Management: Key to Inclusive Sustainability, International Journal of Research in Engineering, Science and Management, vol.2, pp. 594

<sup>6</sup> Pitts D., 2009, Diversity Management, Job Satisfaction, and Performance: Evidence from U.S. Federal Agencies, Public Administration Review, USA, pp. 328-338.

<sup>7</sup> Gilbert J. et al., 1999, Diversity Management: a new organizational paradigm, Journal of Business Ethics, p. 61.

choice taken by the business which denotes the interest towards its environment and sociality.

Kim and Park in their article define diversity management as an important managerial tool against discrimination at the work place. It could be implemented towards equal employment opportunities and equal treatment of workers, and it has the characteristic to enhance social improvement and management practices in a company, increasing an organization's trust and achieving strong personal and organizational performances<sup>8</sup>.

Following the explanation of Kim and Park, diversity management benefits both the organization and employees, enhancing performances for both. An important concept expressed in the definition is the one of equality in the treatment and opportunities between employees. This seems to be essential in order to promote an effective strategy in order to manage differences and to obtain higher results in term of performances.

## **1.2 History and evolution**

### **1.2.1 From the United States to the entire world**

The concept of diversity management emerged in the United States between 1980s and 1990s, referring to the demand of equal working opportunity between people and to the possibility to take benefit from it. But, if we go back in the time, we could identify in the United States a previous fact which lead to recognize the necessity of managing differences between the workforce inside the business; it is the result of the civil rights movement, Title VII of the 1964 Civil Rights Act which made illegal for organizations to engage practices that discriminated against employees on the basis of race, color, religion, sex, and national origin<sup>9</sup>. Considering age and disability, they were legislated after 1964.

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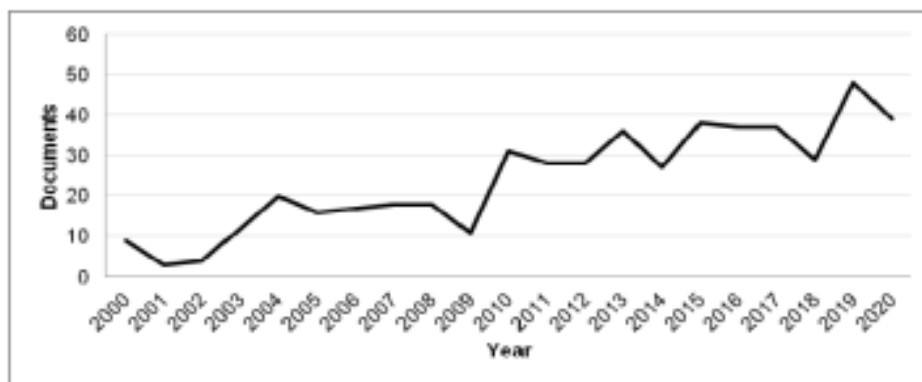
<sup>8</sup> Kim, S. and Park, S., 2017, Diversity Management and Fairness in Public Organizations. *Public Organization Review* 17(2), pp. 179–193.

<sup>9</sup> Kochan T. et al., 2003, The effects of diversity on business performance: report of the diversity research network, *Human Resource management*, Wiley Periodicals, vol. 42, pp. 3-4.

Starting from 1960s in fact, lots of movements emerged in the USA asking for the recognition of human rights and equal opportunities in the workplace especially for women, black people and minorities. In any case during all this period and until 1980s, criticism and resistance was high among white men in organizations, concerned about the problem of work competition and due to a conservative vision of society and cultural values<sup>10</sup>.

In any case, demographic and economic changes started from 1980s made it necessary the adaptation and the innovation due to a completely new scenario, where the increasing globalization and the social changes in the world have led to the movement of free labor, the increase of differences among people living in the same place and the recognition of equal treatment without any type of discrimination.

In 1990s, Roosevelt Thomas Jr formulated the first definition of diversity management, recognizing it as a business process and creating a specific research field. Starting from this moment the literature about diversity management has exponentially increased<sup>11</sup>, as demonstrated in the graph below.



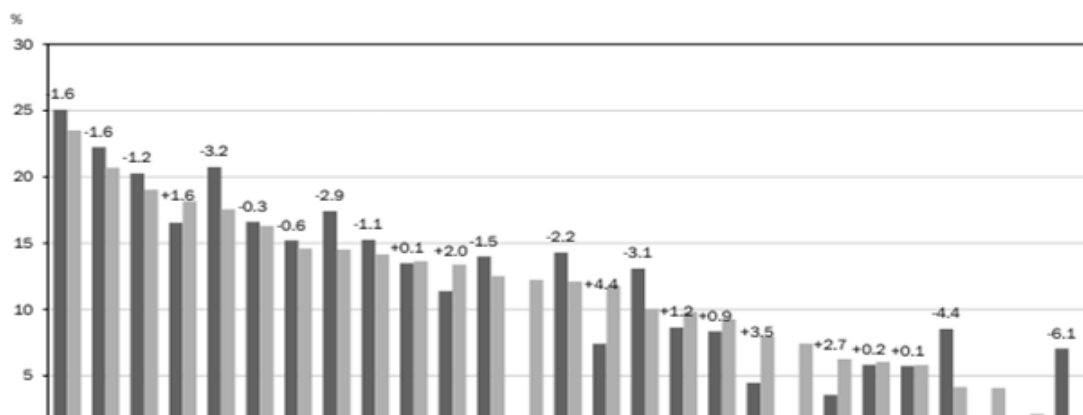
*Number of publications on the diversity management topic per year.  
Source: Scopus, 2020 (in Seliverstova, 2021).*

Diversity management, which was born in the United States, where differences in the society were high due to ethnic minorities and cultural diversities living in the same states,

<sup>10</sup> Brazzel M., 2003, Historical and theoretical roots of diversity management, University Press of America.

<sup>11</sup> Seliverstova Y., 2021, Workforce diversity management: a systematic literature review, University of Debrecen, Faculty of Economics and Business, Hungary.

saw its expansion also in Europe and in many other countries due to the globalization which has favored the connection and exchange between cultures, the free labor market, the movement of people and the creation of multinationals companies working in a world scale. Globalization is not the only cause which has made necessary the management of differences in the years. We could consider for example the ageing of the population in developed countries which has determined an increase in the age of workers. The role of woman which is drastically change in many places of the world, employing them in political and working activities outside the domestic context as it was in the past. Changes in the company structure has augmented cultural differences inside the company, due to choices like the outsourcing of business functions in other countries in order to benefit of better legislative conditions and more economic resources or global operations which have exposed the organizations to cultural and demographic changes. In any case, while cultural and demographic differences have become common in a big part of the world, especially in the western countries, and the need of a management of them in the business environment is recognized through many research in the field, many studies have confirmed that some groups which historically have been discriminated considering opportunities and treatment in the labor market, continue to be disadvantaged and disempowered in organizations with respect to their white male counterparts<sup>12</sup>. The same situation has been confirmed



*Gender pays gap in Europe considering 2010 and 2014, difference in percentage points  
Source: European SES database.*

<sup>12</sup> Syed J. and Özbilgin M., 2009, A relational framework for international transfer of diversity management practices, *The International Journal of Human Resource Management*, pp. 2435-2453.

considering the European context where women and ethnic minorities' condition is affected by a pay gap and difficulties to access some roles and high levels in careers.

As the previous graph shows, gender pay gap continues to be a problem also in the European context where, despite the improvements with respect to the past, women are treated differently to their men colleagues and where in some states the situation is even worse than previous years.

We could say that despite the spread of cultural and demographic differences in the society and in the work place, that social changes have created in the time, obstacles persist in the right treatment of them.

In many situations, this makes diversity management a theoretical topic which is not always considered and implemented by organizations, losing the benefits that it could bring. In other words, there is a systematic resistance inside organization to give the right value to differences<sup>13</sup>.

### **1.2.2 Legal framework**

As seen previously, in the Diversity management definition given by Gilbert et al. (1999), the choice to adopt this type of strategy is voluntary in the company. But, despite this, many changes in the international and national legislation have driven to the recognition of a need to manage human resources in the company and to value their differences. Legislation during the years has been changed in order to develop an equal working environment where different persons should be treated as equal, giving them the same opportunities to achieve objectives.

Starting from 1950s in the United States many movements across all the states asked for the recognizing of equal civil rights between people, especially considering a big part of the American population which was composed by black people. This movements started with the famous case of Rosa Parks, then sustained by the famous activist Martin Luther King. In

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<sup>13</sup> Ivancevich J. and Gilbert A., 2000, Diversity Management Time for A New Approach, Public Personnel Management, vol. 29, p. 75.

the same period, but especially from 1960s, people started to ask equal working treatments, due to the high discrimination which persisted in the labor market for women and ethnic minorities.

As a result, in 1964, the Civil Rights Act made it illegal for organizations to exercise discriminatory acts in employment practices. In 1965 President Johnson issued the Executive Order 11246, which required federal contractors to take affirmative action to ensure equal treatment and opportunities for employment between people. This was the base for affirmative action, but it has been followed by others like in 1973 through the Rehabilitation Act and the affirmative action for the employment of individuals with disabilities.

The purpose of affirmative actions was to set policies and practices with the aim to include specific groups which were discriminated in the employment and treatment. Affirmative action in this context was linked principally to women and people of color and it was based on law and moral imperatives. It had also the function to conform individuals to the business' culture, values and rules.

Differently to this diversity management approach which has been instructed subsequently, is focused to inclusiveness of differences and to the construction of diverse team, without be compliant to specific rules<sup>14</sup>.

At the same time a legislation for Equal Employment Opportunities (EEO) was introduced in the USA stating that discriminatory practices are against federal law. This statutory had the primary objective to promote equal opportunities promoting egalitarianism and meritocracy in the labor market<sup>15</sup>. On the other hand, the major objective of affirmative action was to remedy errors made in the past, which have created disparities and discontent in the society. Along the following decades affirmative action was the major strategy in order to treat differences in the labor market. From 1988 to 1996 a limited support has

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<sup>14</sup> Ivancevich J. and Gilbert A., 2000, Diversity Management Time for A New Approach, Public Personnel Management, vol. 29, p. 75.

<sup>15</sup> Kravitz D., 2008, The diversity-validity dilemma: beyond selection-the role of affirmative action, personnel psychology, vol. 61, pp. 183, George Mason University.

been given by Presidents Bush and Clinton to affirmative action which was seen as a temporary measure due to the past social context<sup>16</sup>.

In the same period, the new field of diversity management was theoretically introduced with Roosevelt Thomas Jr. The consequence was a new approach, from affirmative action to diversity management. In order to apply diversity management in the company, there is not a specific legislative framework which has to be considered, but it is more a voluntary strategy which could be applied by organizations. Procedures does not depend to the law, but they are set by Human Resource specialists or specific Diversity Management roles, in academic and organizational settings; the rationale for its adoption is a strategic advantage for the business and the social goal which should be achieved is the inclusiveness in the work place<sup>17</sup>.

	<b>Affirmative action</b>	<b>Diversity management</b>
<b>Approach</b>	Approach based on laws	Approach based on company volition
<b>Objective</b>	Equality in outcomes	Inclusiveness and better performances
<b>Subjects</b>	Specific population group like women and minorities	Overall population
<b>Drivers</b>	Legal requirements and social pressure	Business' performances and reputation

*Affirmative action and diversity management differences from the literature review.*

Considering the international situation and the practical actions in order to permit equal conditions and opportunities in the labor market, the International Labor Organization and the World Trade Organization are the main international bodies involved in reforming this

<sup>16</sup> Dobbin F. and Kelly E., 1998, How Affirmative action became Diversity management, Princeton University, vol. 41, pp. 960-963.

<sup>17</sup> Kravitz D., 2008, The diversity-validity dilemma: beyond selection-the role of affirmative action, personnel psychology, vol. 61, pp. 183, George Mason University.



markets; they supervise the application of international labor standards which intervene against discrimination, working diversity and gender inequalities. The International Labor Organization is organized as an international agency which has the responsibility to develop working standards.

But, despite this the responsibility and the choice to undertake a diversity management decision in the organization depends only by the organization due to a lack of rules in the field.

### 1.2.3 Different responses to diversity

As said previously there is not a common strategy in order to manage diversity in the business, neither a specific legislative framework to be applied. So, in many cases, the response to diversity given by organizations, changes.

In particular if we consider the existing literature and business cases, we face three different scenarios which are described in the following table, where the first two scenarios (discriminatory and not discriminatory) do not apply a diversity management strategy. Then we could also imagine organizations which applied a mix of this choices.

The following table considers the three principal approaches and responses given by companies to individuals' differences, but only one, the inclusive response manages effectively them in order to create value and not to suppress them.

<b>Discriminatory Response</b>	<b>Non-discriminatory Response</b>	<b>Inclusive Response</b>
Monocultural	Not determined	Multicultural
Promote dominance by the organization's culture	Ignores dominance	Promotes diversity and inclusiveness
Racist features	Not racist (or ignoring it)	Against racism
Differences are excluded	Differences are not considered	Differences are included and valued

*Responses to Diversity given by organizations*

We could also add to these scenarios' cases in which diversity management and equal opportunities are difficult due to external factors which do not depend by organizations choices. If we consider for example migrants and ethnic minorities some complications are represented by the lack of linguistic knowledge and educational barriers which make it difficult to achieve some positions in the organizations. In this case the management of differences does not depend by the business but it should be necessary an institutional intervention in order to reduce these obstacles and give equal opportunities<sup>18</sup>.

In other cases, the response to diversity is given directly by the organization on the basis of its culture. At this point I would like to concentrate the discussion on the discriminatory and non-discriminatory responses in order to understand which are the main barriers that bring companies to decide to not implement a diversity management strategy, or better to limit and ignore diversities inside the company.

If we consider a company which decides to take a discriminatory approach to diversity, we could imagine that there would be an only culture that would be the one of the business leaderships, and in many cases, the one of the national contexts in which the business is located. The result will be a dominance of the business culture over differences, which will suppress them, and usually, the avoidance of differences would be favored in order to have workers with similar characteristics which are simpler to manage.

On the other hand, many companies also today prefer a non-discriminatory approach which tend to ignore differences between individuals, but without discriminating them.

Many inequalities inside the business organization could be considered as the result of historical and structural practices and policies that continue to be accepted in the current contexts<sup>19</sup>.

This makes necessary, in various circumstances, a structural change with respect to the past of the business' cultural structure.

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<sup>18</sup>Kraal K. et al., 2009, *The ideal of equal opportunities and the practice of unequal chances*, University Press, Amsterdam.

<sup>19</sup>Allison M., 2017, *Organizational Barriers to Diversity in the Workplace*, *Journal of Leisure Research*, p. 84.

### **1.3 Models to manage differences inside the organizations**

As seen before there are different responses and consequently approaches that could be applied inside the organizations in order to manages differences.

In particular cultural diversity is the principal issue which should be considered when we talk about how to manage diversity practically<sup>20</sup>.

Culture, which usually depend by people's origins and which is influenced by the national and social context in which individuals live, in many cases determine business' decisions, procedures, values, rules and it has a huge impact on outcomes. If cultural diversity is managed through a good strategy, the organization could benefit from synergistic and culture advantages, for example through an increase in creativity, flexibility, and problem-solving skills<sup>21</sup>.

Before of seeing the different models, it is useful to understand that there are in particular two visions which researchers have underlined in order to treat cultural diversity inside the business and they are the so called "melting pot" and a multiculturalism vision.

The concept of melting pot represents the mixture of cultural differences into the organization, creating inclusiveness between them, but without distinguish between one or another. It means that the objective of the diversity management strategy will be to research points in common between cultures, values and points of view, creating in this way inclusiveness despite differences, valorizing the system, like a sort of "melting pot". The point of view in this approach is the one of the business' groups.

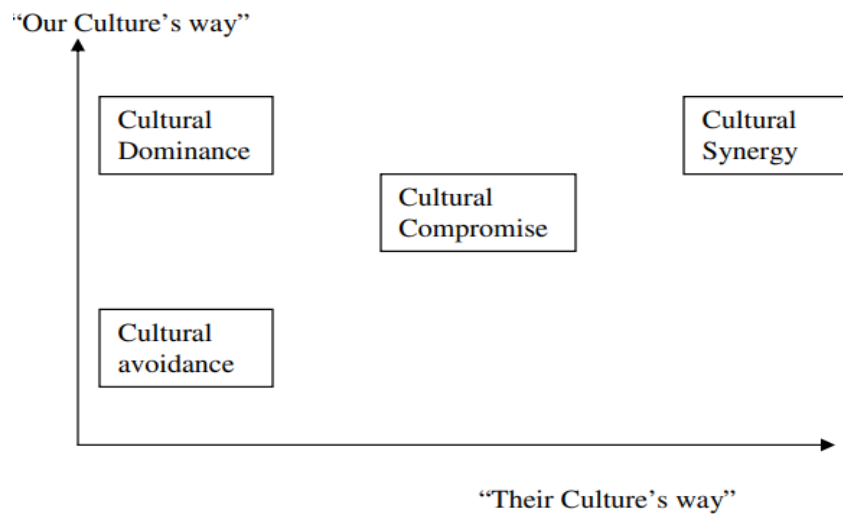
The multiculturalism approach instead considers singular cultures and differences without trying to find points in common. In this way the goal will be to create inclusiveness despite differences, valorizing individually and not the overall group.

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<sup>20</sup> Ely R. J. and Thomas D. A., 2001, Cultural Diversity at Work: The Effects of Diversity Perspectives on Work Group Processes and Outcomes, Harvard University.

<sup>21</sup> Kamal Y., Ferdousi M., 2009, Managing Diversity at Workplace: A Case Study of hp, ASA University Review.

Considering the models to apply, Adler defines three main models; we could also add the cultural avoidance model given by the discriminatory response seen previously, but in this case, there is not an effective diversity management strategy applied by the organization. The three models are: the cultural dominance, the cultural compromise and the cultural synergy<sup>22</sup>. The following figure represents the different approaches the company could decide to take, considering how much they are in line with a multicultural approach or their own business' culture.



*Strategy applied to manage diversity (in Adler, 1980)*

In the cultural dominance model, the parent company imposes its style of management to all its employees, subsidiaries and also clients of different cultures. In this type of model there is not research for inclusiveness, and differences between people are not valorized. This model has the advantages to be simple to apply, efficient and consistent, it uses the same management practices and cultural approach in the entire world, so cultural issues that has to be managed are low, the only effort is the effort in order to create inclusiveness in the acceptance of the dominant culture.

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<sup>22</sup> Adler N. J., 1980, Cultural synergy: The management of cross-cultural organizations, Trends and Issues in OD: Current Theory and Practice, San Diego, California: University Associates, pp. 163-184.

On the other hand, weaknesses in this case are represented by a lack of innovation given by a multicultural context and by the loss of creativity and knowledge which would be supported by differences. Resistance could be another important weakness of this model due to the fact that members of other cultures could fight impositions given by the organization. In reality this model is not the best one to apply because it creates obstacles to the innovation and it does not take advantage from the potential given by resources.

The cultural compromise model, differently, values cultural differences and specificities recognizing them in the business. This model has the characteristic to use in the management practices a multicultural approach in which there is a compromise in order to adhere to many cultures, without choosing a specific one, maintaining values in common as a compromise between them. The strength of this model is the general acceptance of it, without particular resistances, the weakness is represented by issues in order to make cultural analyses, which need resources and strategies.

The last model is the cultural synergy model, which following studies and research is also the most profitable for the organization, and the one which reflects better the definition of diversity management. Cultural synergy uses a cross cultural approach, transcending the individual cultures of individuals involved in the business, producing new forms of management which embrace values and differences from the entire world. Every type of diversity and contribution given inside the organization and from the outside, would be useful in order to improve management and give better performances. Strengths are less resistance by individuals and higher contribution in terms of creativity, values, practices and knowledges in the business. On the other side, weaknesses are represented by the complexity in order to apply the model and the high effort to make a good cultural extensive analysis which could require lots of business' resources.

#### **1.4 The role of Human Resources**

Managing diversity today is one of the most important challenges for managers in organizations around the world. Human Resources, in particular, plays a fundamental role in order to develop policies and practices to manage diversity inside the organization.

The HR function has grown considerably in the years, controlling the big part of people management processes and being a protagonist in the management of the organization<sup>23</sup>.

HR intervenes in the diversity management procedures firstly has the responsibility to prepare individuals, groups and organization to learn from differences and changes<sup>24</sup>.

Then, it has the objective, through recruitment and selection, to hire people considering meritocracy without discriminating any type of differences, but rather than evaluating eventually them for the contributions which they could give to the organization. They have the role to introduce training and development in order to increase acceptance, inclusiveness and to value existing and potential differences.

Another important point is the performance appraisal system which has to be developed in order to have objective criteria to evaluate in accomplishment of diversity management procedures. This is the case of, for example, Australian companies, which implement objective criteria for evaluate diversity management through its previous assessment<sup>25</sup>.

A relevant issue which HR policies have to consider, is the pay inequality which affect individuals' differences. This is an important element which cause demotivation and job discontent, that could affect individuals' performance and organization's outcomes.

So, HR policies have also the role to improve individuals' satisfaction by recognizing equal treatments and value despite diversity.

Developing a framework of HR diversity management is necessary in order to define the actions to take in order to develop a good strategy and to be compliant with objectives in order to increase both performance and organization's perception.

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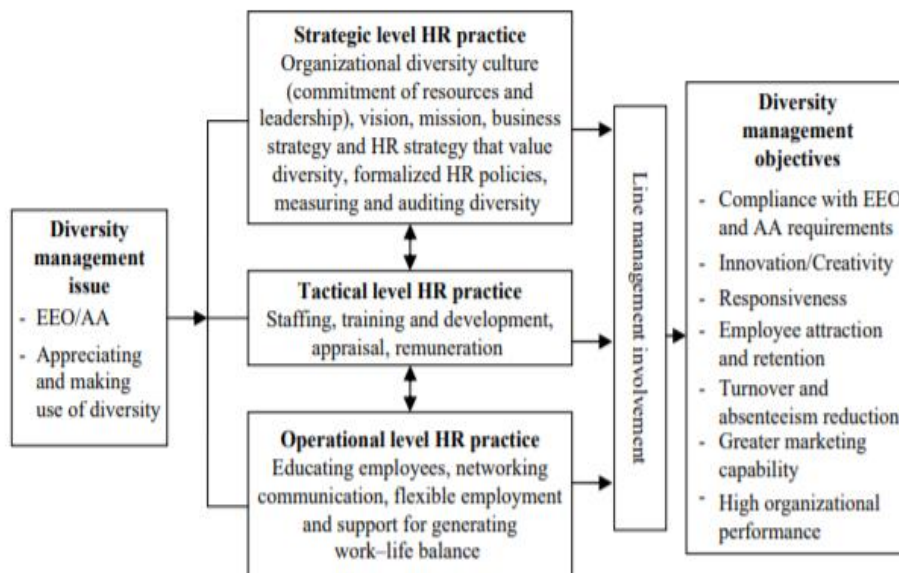
<sup>23</sup> Shen J. et al., 2009, Managing diversity through human resource management: an international perspective and conceptual framework, *The International Journal of Human Resource Management*.

<sup>24</sup> Sparkman T. E., 2019, *Exploring the Boundaries of Diversity and Inclusion in Human Resource Development*, Rochester Institute of Technology, NY, USA.

<sup>25</sup> Shen J. et al., 2009, Managing diversity through human resource management: an international perspective and conceptual framework, *The International Journal of Human Resource Management*.

According to Martin and Woldring there in any case a high level of disagreement and a lack of concrete consensus among HR managers on translating ethical principles and ideals into tangible diversity practices inside the company<sup>26</sup>.

The following picture represents a framework for diversity management inside the business, distinguishing the diversity management issue, which could be the accomplishment of regulation given by EEO or affirmative action, or the necessity to creating value from diversity. It is important to individuate three levels, the strategic level, in which the strategy is defined through vision, mission and formalized values, the tactical or planning level, through training, development and appraisal, and finally the operational level, where action take place on the basis of previous decisions regarding education and training, communication or work-life. Like in every strategy, HR strategy should be measured through the accomplishment to fixed objectives and the measurement of result achieved.



*Framework for diversity management, developed by HR (in Shen J., 2009).*

<sup>26</sup> Martin G. and Woldring, 2001, Ready for the mantle? Australian human resource managers as stewards of ethics, Western Sydney University.

## **1.5 Measurement and types of differences inside the organization**

There are various individuals' differences which could be considered inside the organization. They are in particular the Gender Diversity, the Age Diversity and the Cultural Diversity. To these we could also add Disability Diversity and Educational Diversity, but they are less measurable inside the organization and are treated through different ways on the basis of specific regulations and cases.

### **1.5.1 Gender Diversity**

Gender Diversity regards the diversification of employees inside the organization between men and women. In order to permit this type of diversification it is necessary to implement practices to enhance women employment, especially in companies with a male dominant approach which tends to avoid the employment of women in higher positions<sup>27</sup>.

An indicator developed from the European Union, to measure and evaluate gender diversity, is the Gender Diversity Index (GDI). GDI is an aggregate indicator that reflects different variables that shows how much the company permits gender diversification and equal treatment to women.

These variables have a diverse weight in the index calculation, and they are: the share of women in all leadership positions considering the absolute number of women and men (for example if the same woman is employed in various functions, she is counted only once), its weight is 50% in the index; the share of women in board committees, with a weight of 10%; the share of women employed in boards position (considering the Supervisory Board or the Board of Directors), weighted 20%; and the share of women employed in executive functions, with a weight of 20%<sup>28</sup>.

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<sup>27</sup> Elaine Farndale et al., 2015, A global perspective on diversity and inclusion in work organizations, The International Journal of Human Resource Management.

<sup>28</sup> EWOB, European Commission, Report European Women on Boards Gender Diversity Index 2020.



An index above 1 means that there are women in disproportion with respect to men, numbers below 1 mean the contrary. It is evident that there are certain organizations more inclined to gender diversification, due to cultural reasoning.

On the basis of this, there are companies with fluid gender roles and others in which gender roles are well defined. For diversity management, the objective is to have a company where there is the same possibility for women to be employed and to achieve higher positions for meritocratic reasons, in other words, to achieve the gender egalitarianism, that is defined as the degree to which an organization or society minimizes gender role differences<sup>29</sup>.

### **1.5.2 Age Diversity**

Another dimension of diversity is focused on age. Age diversity management has the objective in this case to attract the best employees across different age groups. Considering age diversity, we should consider two variables: demographic and cultural variables. The demographic variable is linked to the different composition of workforce with respect to the past. Today workforce in fact is composed by four generations which are called traditionalists, baby boomers, generation X and millennials.<sup>30</sup> Every group has unique characters and it is the result of demographic changes affecting the world.

Actual demographic trends comprehend an increase in the life expectancy, especially if we consider Europe which in the future will expect to have the oldest population rate, and at the same time a decrease in the birth rates affecting especially developed countries. The result is the aging of workforce population, postponing retirement age, and the difficulty for organization to find and attract new talents between the youngest population due to a decrease in the offer<sup>31</sup>.

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<sup>29</sup> House R. J. et al., 2004, Culture, leadership, and organizations. The globe study of 62 societies. Thousand Oaks, CA, p.12.

<sup>30</sup> Elaine Farndale et al., 2015, A global perspective on diversity and inclusion in work organizations, The International Journal of Human Resource Management.

<sup>31</sup> Bieling G. et al., 2014, Coping with demographic change in job markets: How age diversity management contributes to organizational performance, Rainer Hampp Verlag.

These different working groups have permitted the work side-by-side of old and young individuals, creating new challenges due to different styles and approaches.

The second variable to consider is the national culture. Culture determines “the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally”<sup>32</sup>. This means that there are organizations with high respect for seniority, evaluating this firstly than talent and outcomes.

In any case, a company with a good diversity management practice should overcome this approach, trying to understand how to achieve and maintain performance outcomes from all groups of generations. For this reason, age diversity management has the objective to evaluate employees on the basis of indicators like performance, efforts and potential; not to treat them in the same way nor to evaluate them on the basis of age and seniority in the organization<sup>33</sup>. Appraisal and compensation policies, based on objective criteria, are considered fundamental in this sense and in order to attract, retain employees and give them feedback<sup>34</sup>

### **1.5.3 Cultural Diversity**

Cultural diversity is one of the most important values which could influence business’ performance, but in many cases, it is also the most difficult to be captured, due to the fact that culture is not a tangible element in an individual and it does not depend always by its nationality.

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<sup>32</sup> Hofstede G., 1980, *Culture and Organization: International Studies of Management and Organization*, Sage Publications, p.45.

<sup>33</sup> Elaine Farndale et al., 2015, *A global perspective on diversity and inclusion in work organizations*, *The International Journal of Human Resource Management*.

<sup>34</sup> Hedge J. et al., 2006, *The aging workforce: realities, myths, and implications for organizations*, European University Institute.

Culture is given by individuals' background, origins, personality and also socio-economic status, for this reason it is a controversial aspect which cannot be always measured and well managed inside the organization giving it its exact value<sup>35</sup>.

Cultural diversity could also lead to conflicts inside the organization, with consequences like inefficiencies, demotivation and damages in the internal business environment. This occurs especially if we consider cultures which are in contrast for some values and visions or in some cases language issues. Also conflicts between hosted cultures and business' culture are probable.

But, despite the fact that culture diversity could be problematic to manage, at the same time a poor management could produce negative outcomes and high turnover due to employees' discontent. The increase of cultural diversity inside organizations has made necessary to use variable management and approaches which try to harmonize differences, valuing them.

#### **1.5.4 An organizational and measurement framework for Diversity**

In order to understand which is the right framework an organization should develop to manage diversity, it is important to underline three elements: the diversity management adoption is a process that every company can freely adapt to its specific context; methodologies in order to participate to the process are defined by the organization; it is also a process which includes three coordinated levels, strategic, planning and operative level<sup>36</sup>.

The objective in the strategic level is to define a new diversity vision for the organization which includes values and principles connected to the diversity management, the mission and goals to achieve. This level is developed principally by the top management. An example

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<sup>35</sup> Seymen O., 2006, The cultural diversity phenomenon in organizations and different approaches for effective cultural diversity management: a literary review, *Cross Cultural Management: An International Journal* Vol. 13, pp. 296-315.

<sup>36</sup> Riccò R., 2016, *Il Diversity Management nella pratica: una gestione integrata delle diversità*, pp. 56-58.

of vision could be the one developed by Coca Cola in 2020 which is one of the most interested and complete from the point of view of diversity, and states:

*“Diversity is at the heart of our business. We strive to create a work environment that provides all our associates equal access to information, development and opportunity. By building an inclusive workplace environment, we seek to leverage our global team of associates, which is rich in diverse people, talent and ideas. We see diversity as more than just policies and practices. It is an integral part of who we are as a company, how we operate and how we see our future. As a global business, our ability to understand, embrace and operate in a multicultural world — both in the marketplace and in the workplace — is critical to our long-term sustainability and, specifically, impacts our ability to meet our 2020 Vision People goals.”<sup>37</sup>*

The vision underlines especially principles of inclusiveness (inclusive workplace environment), equality (in the access to information, development and opportunity) and sustainability (long-term sustainability). It also specifies the top management’s decision to use a multicultural approach, and not a dominant culture, inside the organization, in order to answer correctly to the business needs, working in a really vast and diversified market.

In the planning level, the company should define which are the elements of the process; so, for example, which are the actors, actions, procedures and issues to be solved. Many companies in the world, also like Coca Cola, have chosen to dedicate specific roles and groups with the aim to manage diversity, they are the Diversity and Inclusion Board, Committee, and the Diversity and Inclusion manager. In other cases, there are not specific roles inside the business, compromising in this way the effectiveness of the strategy, giving to it secondary and marginal importance.

These experts, cooperating with the HR function, have the role to develop an analysis in which it is necessary to individuate existing differences inside the organization and potential problematics regarding them. On the basis of this analysis, it they should organize a plan of

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<sup>37</sup> Coca Cola Inc., <https://www.coca-colacompany.com/shared-future/diversity-and-inclusion>

actions, giving priorities to more relevant issues. In order to accomplish actions and priorities, in this phase it is necessary to fix also some medium-long term objectives that the company would achieve in term of diversity management. In order to measure the objectives effectively achieved by the company, it is important at this level, to fix which are the so-called Key performance indicators (Kpi).

Kpi appears fundamental in order to measure outcomes achieved, and they should be strategic indicators with particular characteristics like the correlation organizational strategic objectives; they should represent and explicate the value creation process; and they should be reliable, comprehensive, consistent, and comparable<sup>38</sup>. Diversity management should be measurable through objective data, in order to understand its impact inside the organization, otherwise it would be considered only as a marketing strategy useful to improve stakeholder perception, but without real tangible consequences. Making diversity management measurable, organizations make it also valuable and give to other organizations the incentive and the path to follow the example. In fact, what I have realized from my researches is that, due to a lack of regulation and to changing phenomena in the world, there are not specific rules and paths to follow in order to manage diversity; but, in many cases companies are the protagonists of these processes, creating and sharing views and examples to achieve goals and to perform better.

The succeeding step is the operative level, in which the company should implement actions taken and develop educational train in order to promote diversity. In this step it is fundamental also the communication, that should be both internal and external. It is important to communicate the new vision and the commitment in diversity management practices in order to create awareness and improve stakeholders' perception. For this reason, companies usually use section dedicated to diversity management in their website, organize specific events and publish dedicated reports.

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<sup>38</sup>Hristov I. and Chirico A., 2019, The Role of Sustainability Key Performance Indicators (KPIs) in Implementing Sustainable Strategies, MDPI Journal, Switzerland.

Then, it is important the measurement of results obtained, on the basis of previously fixed Kpi. Usually, organizations communicate results obtained and provide new targets to be achieved in the future, in order to continue innovation and to improve the project. If the company has not reached the results planned, the HR manager in coordination with the Diversity and Inclusion Manager and eventually other organs, should rethink a strategy and communicate both the problems for which it has not obtained desired result, and the new strategy.

In the tables below I have synthetized steps and procedures taken by organizations in order to manage diversity.

Strategic level	Planning level	Operative level
<ul style="list-style-type: none"> <li>• Vision</li> <li>• Mission</li> <li>• Principal goals</li> </ul>	<ul style="list-style-type: none"> <li>• Role's definition</li> <li>• Priorities</li> <li>• Medium-long term objectives</li> <li>• Kpi (to permit measurement)</li> </ul>	<ul style="list-style-type: none"> <li>• Effective actions</li> <li>• Educational train</li> <li>• Outcomes' measurement</li> <li>• Communication, internal and external</li> <li>• New targets</li> </ul>

In order to measure diversity inside the organization it is also useful to develop a framework which permit to evaluate it. Some indicators considered by researchers for measuring programme implementation are the following; they are strictly connected to organizational issues in term of diversity and they are also linked to the development of Kpi.

Elements which have to be considered in the diversity management strategy implementation are the following:

- Top management commitment: so, for example how much time top management spent on diversity issues, how many times it communicates about diversity, numbers of managers involved in diversity structures;

- Diversity strategy and plan: so, for example if there is the presence of a diversity annual action plan and if there is effectively a diversity strategy inside the organization;
- Organizational Policies: policies regarding recruitment and the staff's management should take into account Diversity strategy;
- Employment Benefits: the utilization of diversity related employment benefits is an example of good measure to understand how much diversity is considered and managed inside the company, benefits could comprehend equal gender benefits, retirement age and pension changes, new medical care, child care facilities, job sharing, flexible working, access facilities, considering specific differences between employees;
- Managerial incentives: promotions and pay should be aligned to a specific strategy which take into account also diversity in its evaluation;
- Organizational structures: as said before, a good indicator in order to measure the commitment to diversity is to understand if inside the organization specific diversity structures have been constituted, and also how much they involve top management managers;
- Reporting process: it is fundamental to know if inside the organization there is a process established to measure and evaluate outcomes performed; so, if some kpi are established, if there are some targets to be achieved, if targets are evaluated on the basis of results achieved;
- Communication: communication about diversity can be measured through articles published, costs sustained to communicate, mentions in articles and researchers;
- Support networks: also, the presence of networks to support certain types of diversity it is an interesting point, for example to support Woman in management or the Gender diversity in the social context;
- Education and training: costs sustained to train to diversity, number of diversity training are both important indicators to understand the commitment to the theme.

Many organizations for example organize training for new employees in order to sensitize them to the existing diversity approaches;

- Productivity and commitment of employees: productivity is always a good indicator in order to understand how much the organization is involved in social issues inside the organization, creating inclusion and motivation between them. Also, commitment is fundamental to know how much individuals are included and how much they are represented by the organization. These indicators are extremely used also to evaluate performance linked to diversity management.

## **1.6 Diversity management linked to business' performance**

Diversity has been found to have a positive correlation with higher quality and quantity of team performance<sup>39</sup>. This aspect has directly consequences with the social environment inside the organization and the business' economic performance.

Due to the large number of performances correlated to the diversity management, key performance indicators should comprehend a measure of the impact in the higher number of dimensions possible. Then, it could be useful to choose and adopt performance tool, structured as a report which group all these indicators, permitting to have a track about target and result achieved in the time.

### **1.6.1 Key performance indicators**

The diversity management strategy has a double impact, on the economic and quantitative term, and on the social context internal and external to the organization. They are also both correlated, due to the fact that they improve each other. For example, if the social context inside the business is positive and there is inclusiveness between employees, also the

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<sup>39</sup> Horwitz S.K. and Horwitz I.B., 2007, The effects of team diversity on team outcomes. A metanalytic review of team demography, *Journal of Management*, Vol. 33, No. 6, pp.987–1015.



economic performance will benefit of this, thanks to higher individuals' productivity and motivation.

On the other hand, if companies' performance result positive, they could improve individuals' motivation and the social context, thanks to employees' benefits, which could also improve stakeholder perception and the social context outside the organization.

Key performance indicators should, for these reasons, summarize different dimensions in which the strategy has impact<sup>40</sup>. Considering the social dimension and team qualitative performance, the most important variables to be considered by business are inclusion and satisfaction, workforce diversity, leadership commitment, learning and training, stakeholder perception. In many cases, indicators used in order to evaluate them, are qualitative indicators in this case, due to the fact that it is not easy to translate in numbers how much commitment there is for each one of these variables.

On the other side, economic performances are easier to be collective in quantitative terms, but they could bring to some problems, due to the fact that they are not always easily correlated to a unique dimension, but they have to be considered in coordination with other organizational elements and decisions taken by the company. In this case, variables which are usually considered are financial indicators like the return on equity, which measure the profitability of a business in relation to its equity, the return on assets, which is a financial ratio indicating how much profitable is a company in relation to its assets, but especially the diversity return on investment, which measure how much profitable is the company considering its investments in diversity management.

In order to calculate this particular index, Hubbard<sup>41</sup> suggests the ratio (*Diversity Benefits-Initiative Costs*)/*Initiative Costs*, giving a measure about how much the benefit given by the investment is higher than the costs paid to develop it. Also, the individual productivity could be a good indicator, if it is possible to reevaluate it.

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<sup>40</sup> Hristov I. and Chirico A., 2019, The Role of Sustainability Key Performance Indicators (KPIs) in Implementing Sustainable Strategies, MDPI Journal, Switzerland.

<sup>41</sup> Hubbard, 2004, The Diversity Scorecard. Evaluating the Impact of Diversity on Organizational Performance, Butterworth Heinemann, Burlington/Oxford, pp. 308-311.

Considering all the dimensions touched by diversity management strategy I have synthesized some specific indicators which are the most used by organizations implementing diversity management (like Coca Cola, Pandora Group, Sodexo, McKinsey) and which are also suggested by researchers (Kulik and Roberson, 2008; Hubbard, 2004; Labucay, 2015).

The following tables show in fact these indicators divided by the dimension they are connected with. In the social dimension the most considered aspect by both organizations and researchers is the inclusion inside the team and the individual's satisfaction. This has important implication in the social sustainability and the social environment inside the organization<sup>42</sup>; indicators most used are employee turnover and retention, these are interesting in order to understand how much the organization is able to value its human resources and to give them opportunities, also on the basis of particular characteristics. But also, advancement obtained by employees through benefits and higher position inside the organization are a good indicator to understand how much the organization is managing its resources, obtaining the higher value from them. Also, the stakeholder perception is a common measure to estimate qualitative performances, given by the customers' engagement on channels of communication, where the organization communicates its strategy, its targets and results.

Considering the economic dimension, key performances indicators could be financial, economic indicators or linked to quantitative individual and team performance. Considering these last, most useful ones could be team and individuals' productivity, compared with other years when it possible to measure it and to link these results with surveys based on the job satisfaction.

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<sup>42</sup>Labucay I., 2015, Diversity management and performance: Paving the way for a revised business case, European Journal of International Management.

## Social dimension and qualitative team/individuals' performance: Kpi

Inclusion and satisfaction	Workforce diversity	Leadership commitment	Stakeholder perception	Training
<ul style="list-style-type: none"> <li>• Employee turnover</li> <li>• Employee advancement and retention</li> <li>• Conflicts between employees or/and management/leadership</li> <li>• Social issues identified through audits</li> <li>• Positive score on inclusivity in employees listening surveys</li> <li>• Equal pay for equal work</li> <li>• Gender pays equality index</li> <li>• Employee's engagement rate</li> <li>• Benefits given to employees due to higher team performance.</li> </ul>	<ul style="list-style-type: none"> <li>• Percentage of multicultural employees</li> <li>• Percentage of woman employed</li> <li>• Percentage of employees representing different ages</li> <li>• Employees with disabilities</li> <li>• Number of employees presenting particular characteristics: ex. refugees</li> </ul>	<ul style="list-style-type: none"> <li>• Percentage of woman employed in leadership</li> <li>• Percentage of women employed in the management</li> <li>• Percentage of women employed in executive committees</li> <li>• Positive scores given by employees in surveys linked to leadership commitment on diversity</li> </ul>	<ul style="list-style-type: none"> <li>• Positive customer engagement in social networks or other media and channel of communication</li> <li>• Number of nominations in research publications and articles, by institutes and universities</li> <li>• Recognition in indices linked to diversity and inclusion (ex. Bloomberg index for Gender Diversity)</li> </ul>	<ul style="list-style-type: none"> <li>• Employees globally went through new racial justice and inclusion training program made by the organization</li> <li>• Attraction of new talents with cultural and other types of diversity</li> </ul>

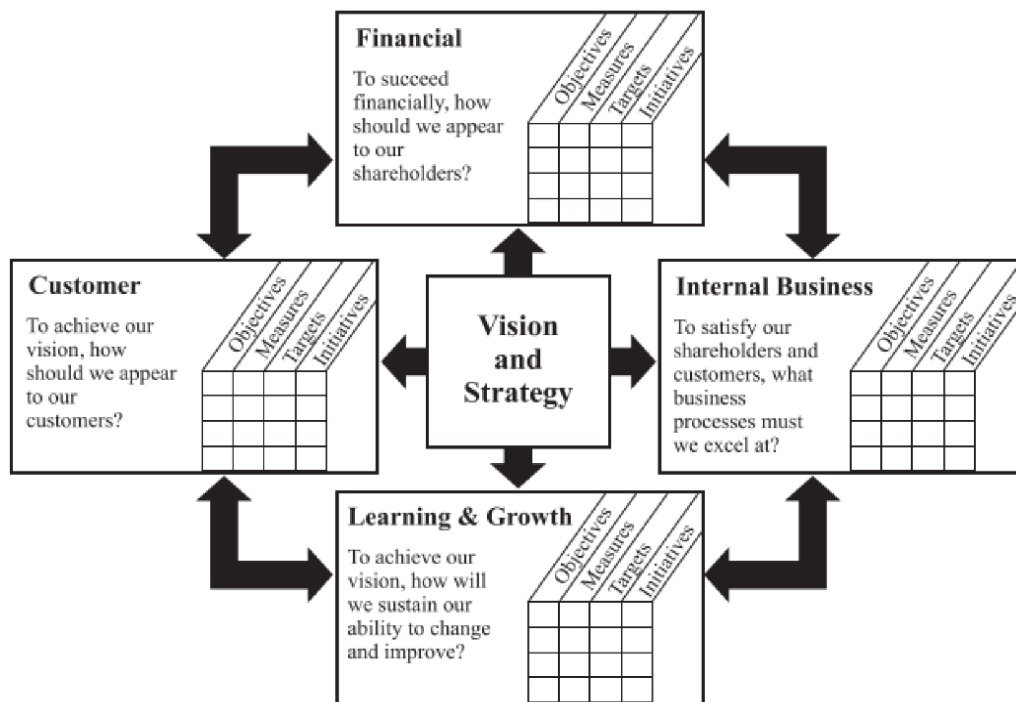
## Economic Dimension: Kpi

<p><b>Financial indicators</b></p> <ul style="list-style-type: none"> <li>• ROE</li> <li>• ROA</li> <li>• DRI (diversity return on investment)</li> <li>• Positive cash flows</li> </ul>	<p><b>Economic indicators</b></p> <ul style="list-style-type: none"> <li>• Customer satisfaction rate</li> <li>• Customer retention</li> </ul>	<p><b>Individual and team indicators</b></p> <ul style="list-style-type: none"> <li>• Team productivity, compared to previous years</li> <li>• Individual's productivity</li> </ul>
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*Framework proposed by the author*

### 1.6.2 Diversity scorecard

One of the most used and proposed tools, in order to estimate performance linked to an organizational strategy, and to compare it with target and indicators, is the balanced scorecard. As the figure below shows, balanced scorecard represents a framework in which are contemplated different dimensions linked to the strategy, which have in common a particular vision and mission, decided by the business in the strategic level.



*Balanced scorecard framework (from Dudic Z. et al., 2020)*

In many cases principal elements which are considered are customers, in particular how to satisfy them with the strategy; learning and growth, so in which way to improve and change the business operations; internal processes, that means in what manner to have better processes and in which one to excel; finally financial element, meaning how to succeed financially and to appear to shareholders, in order to be attractive and satisfy them<sup>43</sup>.

<sup>43</sup> Dudic Z. et al., 2020, The Innovativeness and Usage of the Balanced Scorecard Model in SMEs, MDPI Journal for sustainability.

Every one of these areas should have some correspondent key performance indicators, linked to a measurement system (like a survey between employees, or the number of publications by research institutions), to an objective and a target to be obtained.

Authors underline the importance of balanced scorecard in order to measure a mix of performance which are not only correlated with financial indicators and numbers, but also with qualitative indicators, connected with intangible assets<sup>44</sup>.

It is fundamental in fact to consider also performances connected to intangible assets, due to the reason that if we consider diversity management only from an economic business rationale, we will really not measure all the value given by the strategy applied by the organization. In particular many authors suggest to adapt the balanced scorecard tool to a diversity scorecard.

Hubbard suggest to enhance the model of balanced scorecard, by levels proper of diversity management and which should be evaluated and measured through indicators. Diversity scorecard should contain six levels to be evaluated, which are:

- Reaction and satisfaction, on the basis of rates given by employees or customers
- Learning, that means the number of trained employees by demographic group
- Application and implementation, so the percentage of employees with advanced degrees by demographic group and percentage of employees competent on diversity
- Business impact, measured through the percentage of new ethnic group customers and percentage of subcontracting to minority businesses.
- Diversity Return-on-Investment (DROI), measured through the ratio (Diversity Benefits-Initiative Costs)/Initiative Costs

Some examples of diversity benefits are the higher individuals' productivity, the reduced product cycle time or the increased numbers in diverse talent recruitment.

- Intangibles, measured by better diversity climate, through surveys.

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<sup>44</sup>Hubbard E.E., 2004, The Diversity Scorecard. Evaluating the Impact of Diversity on Organizational Performance, Butterworth Heinemann, Burlington/Oxford.

Other authors like Herrmann-Pillath, suggest to develop a similar diversity scorecard in which dimension there is a fundamental dimension represented by internal organizational processes, based on workplace climate and culture, diversity leadership commitment and workplace profile<sup>45</sup>.

The better solution could be the one to adapt the diversity scorecard to the needs of the organization, on the basis of its vision, mission and the stakeholders involved in its strategy, trying in any way to include principal levels representing the basis of balanced scorecard and that includes learning, customers, internal business processes, financial and finally the intangible assets proper of the diversity management.

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<sup>45</sup>Labucay I., 2015, Diversity management and performance: Paving the way for a revised business case, European Journal of International Management.

## 2) Diversity management and Corporate Social Responsibility in the business

The concept of Corporate Social Responsibility is usually connected to the environmental dimension and to the business' impact on the natural environment and the climate. Environmental issues are surely an important aspect concerning CSR, but they are only one of the total aspects touched by it. An interesting definition given to CSR is defined as the firm's obligation to respond to the externalities created by its market action<sup>46</sup>.

In this case externalities could be both positive and negative, so the objective should be the one to maximize positive externalities and to minimize negative externalities. Examples of positive externalities could be the construction of infrastructures improving the condition of life in the location where the company is placed, or the commitment to solve particular social issues regarding the community and the social context. An example of negative externality is the emission of pollution in the environment, or the creation of social disorders inside the community, which would affect the quality of life for individuals.

Usually, externalities deal with third parties, so with individuals that do not have a direct interest with the company, but they are in any case connected due to the common environmental and social context where they are located.

Today, organizations use CSR to position their brand in the eyes of consumers and stakeholders, trying to communicate through non-financial reporting their commitment with social issues<sup>47</sup>.

The logic behind CSR is that social and environmental contribution leads to higher performance<sup>48</sup>. In particular, work satisfaction of human resources inside the organization

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<sup>46</sup> Sethi S. P., 1990, An analytical framework for making cross-cultural comparisons of business responses to social pressures: The case of the United States and Japan, in L.E. Preston edition *International and Comparative Corporation and Society Research*, JAI Press: Greenwich, pp 29–56.

<sup>47</sup> Lindgreen A. and Swaen V., 2010, *Corporate Social Responsibility*, *International Journal of Management Reviews*, British Academy of Management.

<sup>48</sup> Jermsittiparsert K. et al., 2019, Do consumers expect companies to be socially responsible? The impact of corporate social responsibility on buying behavior, available online through the link: <https://www.researchgate.net/publication/333660806>.

leads to customer satisfaction. At the same time, a positive social contribution enhances community development, creating stakeholder satisfaction. Authors (Shah et al., 2018; Jermittiparsert K. et al., 2019) considers this satisfaction the vehicle to better performance. They individuate four dimensions in which the business should be involved considering the CSR; they are the environment, the workplace, human resources and community development.



All these dimensions are directly or indirectly affected by companies' externalities, and these affect the stakeholders' perception about the organization.

The World Business Council for Sustainable Development defines CSR as *the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large*<sup>49</sup>. In this definition a central position is given to the workforce, the local community and to the society, underlining the important social role taken by organizations in the last decades.

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<sup>49</sup> Moir L., 2001, What do we mean by corporate social responsibility? Corporate Governance, pp. 16-22, MCB University Press.



As we know, the objective of every organization is the one of creating value, achieving specific objectives. But at the same time, it is always more evident the need to coordinate economic objectives with social and sustainability objectives, as a response of higher interest from individuals for themes like the quality of life and the economic ethic.

For these reasons, there is an important link between diversity management and CSR. It is impossible to think social responsibility without giving importance to diversity and without achieving objectives like inclusiveness and equity between employees. In order to create a positive workplace, to give value to human resources and to develop the community in which the company is located, it is fundamental to have a good diversity management strategy and to communicate results also through the non-financial reporting.

This chapter is dedicated to the CSR reporting of diversity management, evaluating which are the elements of diversity management linked to the social sustainability and, considering the stakeholders' perspective, how to improve the social externalities and to communicate them to stakeholders, achieving better outcomes.

## **2.1 Theories to analyze CSR**

One of the most important theories used to analyze CSR is the stakeholders' theory. Stakeholders' theory is a theory of organizational management arguing that a firm should create value for all its stakeholders and not only to shareholders. Following the definition given by Freeman in 1984, a firm is composed by connections between different stakeholders and it is a business' responsibility to manage this connection in the better way. In the same definition, stakeholders are defined as every group of individuals which is affected by company's decisions taken in order to achieve business' goals<sup>50</sup>. Lately the author has given another definition of stakeholders, distinguishing between primary and secondary stakeholders. In the primary group we can find all the individuals which have some direct transactions with the organization, like customers, suppliers or employees; while in the secondary group we find individuals which do not have transactions with the

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<sup>50</sup> Freeman R.E., 1984, *Strategic Management: A Stakeholder Approach*, Pitman Publishing, Boston, MA, p. 46.

organization, but that in any case are affected by it. They are for example the community and the institutions.

Stakeholder theory is contraposed to shareholder theory<sup>51</sup>, stating that it is necessary in order to have good performance to achieve the satisfaction of every type of stakeholder possible, while considering only shareholders' satisfaction is not sufficient.

If organization try to improve employees' satisfaction, it can reach better levels of productivity; supporting the community in which it is located, it could achieve better reputation between customers and potential customers, enhancing sales; a good reputation between community and stakeholders could make the company more attractive also from a perspective of potential employees, permitting the recruitment of new talents. On the other hand, shareholder theory considers the achievement of the higher profit and the maximization of shareholders returns the main goals for the business. To consider only the interest of shareholders, could be detrimental for the company, which do not balance well the different interests, not obtaining the higher value possible from its activities.

So, the aim of stakeholder theory, through the CSR reporting, is to maintain interconnection with individuals affected by the organizations, gaining their loyalty and trust. The challenge could be considered as the one of adopting a transparent policy with them, trying to coordinate the different interests involved<sup>52</sup>.

Another important theory behind CSR is the Social Contracts theory, developed initially by the sociologist Hobbs T. in the 17<sup>th</sup> century and then adapted by economists. It states that society is based on a series of social contracts between its members and itself<sup>53</sup>. Through this concept, the need to take socially responsible behaviors by the organization, is given not in order to act for its personal interest, but as a social expectation, as a response to an implicit social contract that permit its existence inside the society.

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<sup>51</sup> Friedman M., 1962, *Capitalism and Freedom*, University of Chicago Press, Chicago, IL.

<sup>52</sup> Moir L., 2001, *What do we mean by corporate social responsibility?* *Corporate Governance*, pp. 16-22, MCB University Press.

<sup>53</sup> Gray R. et al., 1996, *Accounting and Accountability; Changes and Challenges in Corporate Social and Environmental Reporting*, Prentice-Hall Europe, Harlow.

On the contrary, if the organization do not respect this contract, it will be naturally eliminated by the society, and in this case by the market, due to an incongruence in values and norms.

The third theory useful in this context is the Legitimacy theory which is in some cases associated to the Social Contracts Theory. Legitimacy theory states that organizations should try to ensure that they develop activities according with societal limits and norms. The difference with the Social Contracts Theory consists in the fact that through legitimacy theory organizations which do not comply with terms of the Social Contracts, try to comply with the expectations of the society in which it operates, also implicit expectations<sup>54</sup>. So, in this sense, Legitimacy Theory goes beyond Social Contracts Theory, complying with stakeholders' expectations and being legitimated by them. This legitimization, as reported by Deegan, could be considered like a resource which determinate the company survival, thanks to the accomplishment to expectations.

These three theories permit to draw two conclusions concerning the CSR reporting: firstly, the higher number of stakeholders the company try to satisfy, the higher will be the business performance obtained, thanks to its positive externalities; secondly, CSR is not simply voluntary, but it is needed if the company desire to continue to exist in the market and in the society where it has placed its social relations.

## **2.2 Diversity management and social sustainability**

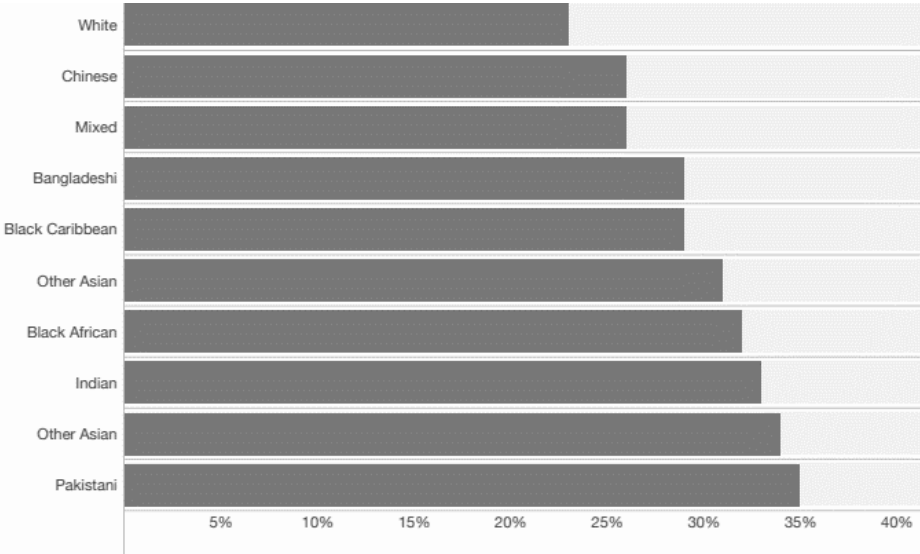
In recent years, an increasing attention is raised by the public opinion, considering themes like the gender equality and the equal treatment of ethnic minorities in the workplace. In particular considering gender diversity, a big part of the society asks for equal possibility in careers and a higher representation of women in managerial positions and in the board of

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<sup>54</sup> Deegan C. M., 2018, Legitimacy theory. Despite its enduring popularity and contribution, time is right for a necessary makeover, School of Accounting, Royal Melbourne Institute of Technology, Melbourne, Australia.

directors<sup>55</sup>. Considering the European Union, women in very top positions are rare, with only 7.5% of female board chairs and 7.7% as chief executives. Moreover, across the EU, data confirm that women earn 16% less than men per hour, with the largest gaps in the Czech Republic, Estonia, Germany and ex-member state, the UK<sup>56</sup>.

At the same time there is relevance that specific ethnic minorities are more overlooked for promotions than others<sup>57</sup>. As the following picture shows, white ethnic group appears to be the less overlooked considering promotions in European countries, while some groups like Indian, Pakistani and Other Asian report feeling that they have been overlooked for promotion because of their ethnicity, with a percentage higher about 10% more than white ethnic group.



*Percentage of employees reporting that they have been overlooked for promotion, by ethnic group, figure from the McGregor-Smith Review.*

<sup>55</sup> Wang Y. H., 2019, The Impact of Gender Diversity of Corporate Boards on Corporate Governance: An Empirical Investigation. In Proceedings of the International Conference on Management and Information Technology (ICMIT), Auckland, UK.

<sup>56</sup> From the link <https://www.theguardian.com/world/2020/mar/05/eu-revives-plans-for-mandatory-quotas-of-women-on-company-boards>.

<sup>57</sup>Race in the workplace, The McGregor-Smith Review, from the link [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/594336/race-in-workplace-mcgregor-smith-review.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/594336/race-in-workplace-mcgregor-smith-review.pdf).

*Conditions are significantly worse if we consider developing and underdeveloped countries, where in many cases, culture, religion and traditions do not help the change, facing barriers difficult to be surmounted.*

When we talk about social sustainability, we mean an enhancement in life and social conditions inside the communities, and a process within communities that can achieve that condition<sup>58</sup>. McKenzie (2004) defines some indicators in order to assess social sustainability. These indicators are the equity of access to primary services like health and education; the equity between generations (that should be not disadvantaged in the use of resources than others); a system of cultural relations in which positive aspects of different cultures are values; the political participation of citizens; a system for transmitting awareness of social sustainability from one generation to the futures; a sense of community responsibility in order to maintain the previous system; and lastly social mechanisms in order to identify strengths and needs.

From this definition and these indicators, there is evidence that diversity is a fundamental theme considering social sustainability, and in particular it is necessary to value diversity in order to develop a sense of community which permit a better quality of life and a so-called life-enhancing. This is imaginable only through the possibility of equal opportunities and the inclusiveness, also in the business context.

Moreover, a model has been developed by a project of Western Australian Council of Social Services, that attempts to define social sustainability in order to promote it in organizations and in a global context. In this definition, social sustainability is achieved through the capacity of actual and future generations to create livable communities, that should be equitable, diverse, connected and democratic, and should provide a good quality of life. Also in this definition, diversity management is cited as the objective to promote and encourage diversity, instead of dominating it. The only model applicable in order to manage corporate responsibility in this sense, is the synergistic model, which try to extract the higher value possible from differences, respecting and maintaining them.

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<sup>58</sup> McKenzie S., 2004, Social sustainability: towards some definitions, Hawke Research Institute.

In any case, it is not so easy to assess social sustainability in private organizations, due to the lack of a specific system to measure it, to the lack of common targets and objectives between countries and to its intangible value, which is considered differently by organizations.



*The 17 Sustainable Development Goals*

Today Social Development Goals may fill this gap, providing a theoretical framework and some indicators, which could help to orient organization in the CSR reporting<sup>59</sup>. The 17 sustainable development goals, shown in the previous picture, were formally adopted by all 193 member states of the United Nations, starting from 2015. They have the objective to eliminate extreme poverty, protect the planet, and ensure prosperity for all by 2030<sup>60</sup>.

Many companies in order to fix their sustainability goals and to report them, use sustainable development goals, as common and shared indicators between different countries, stakeholders and organizations.

In particular, considering social sustainability and the diversity management, goals directly linked are quality education (4), gender equality (5), decent work and economic growth (8), reduced inequalities (10) and partnership for the goals (17). These goals aim to reduce

<sup>59</sup> Searcy C., 2014, Measuring enterprise sustainability, Business Strategy & the Environment, pp. 120–133.

<sup>60</sup> United Nations General Assembly, Transforming Our World: The 2030 Agenda for Sustainable Development, available online from the link [www.refworld.org/docid/57b6e3e44.html](http://www.refworld.org/docid/57b6e3e44.html)

inequalities between individuals, giving the opportunity to create better life conditions and a sustainable society. Companies in this sense are important subjects which could enhance these practices, better than how much have done institutions in the time.

According to Hopkins (2007)<sup>61</sup>, governments and institutions have failed in their attempts to solve the planet's most important social problems like underdevelopment, inequalities and poverty. Now many expectations and pressures are faced to the private sector which try to adopt decisions in order to create quality jobs, positive workplace and fair employment on the basis of stakeholders' concerns and requests. So, in this case, companies and private organizations are fundamental subjects in order to achieve these goals.

As a result, companies that adopt responsible social practices, accomplishing to sustainable development goals, have apparently lower financial volatility, higher sales growth, and higher chances of survival when we consider over a period of 15 years. Furthermore, the commitment on sustainable development goals seems to help some kinds of companies in attracting and retaining customers and talented employees<sup>62</sup>.

Through sustainable development goals, United Nations have fixed goals and target to achieve sustainable objectives and indicators to evaluate them. On the basis of these indicators, companies have adapted indicators to their reality, compensating the lack of regulations and incentives concerning the management of sustainability in the business; they have demonstrated in particular high commitment in the creation of a more sustainable world and community. Their achievements are usually reported in their CSR reports, evidencing which are the sustainable development goals considered, and the indicators they have considered to measure their goals (it is the case for example of Coca Cola, Pandora Group, McKinsey, Adidas and others).

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<sup>61</sup> Hopkins M., 2007, *Corporate Social Responsibility and International Development: Is Business the Solution?* Earthscan, London, UK.

<sup>62</sup>Schramade W., 2017, *Investing in the UN Sustainable Development Goals: Opportunities for Companies and Investors*, Columbia Business School.

The following perspectives are the most used in order to evaluate social sustainability from an internal company’s perspective<sup>63</sup>. They consider all the dimensions of social sustainability: Learning and growth, Community development and the Safety sphere.

Many of these elements deal with the concept of diversity, in particular considering that all them are achievable only providing equal opportunities and respect of diversity for all individuals. We could not think to respect human right, without respecting diversities; or we could not think to develop and to value cultural heritage, without giving space to cultural diversities, which are proper of every social context.

Learning and growth	Community development	Safety and security
Training	Multicultural employees’ rights	Labor practices
Job security	Good governance	Fair practices
Employment	Cultural heritage	Health and safety
	Social involvement	
	Human rights	
	Consumer and product responsibility	

*Social sustainability indicators from a company’s perspective, proposed by Ajmal M. et al., 2017.*

### 2.3 Diversity and Corporate Reporting

Corporate reporting could be seen as the link between a company and its investors, and other stakeholders<sup>64</sup>. In the years it has emerged a relationship between business

<sup>63</sup> Ajmal M. et al., 2017, Conceptualizing and incorporating social sustainability in the business world, International Journal of Sustainable Development & World Ecology.

<sup>64</sup> Deloitte, July 2016, Thinking Allowed The future of corporate reporting, report published on the company’s website.



reputation, trust and value. Through its reputation a company could attract investors to put their capital at risk, but it could also attract and retain customers and employees, or institutional incentives. At the same time, a company can damage its reputation, through negative behaviors and through a bad communication and reporting.

In a survey conducted by PwC in 2014<sup>65</sup>, from the 80 per cent of investors interviewed, it has emerged that their perception about the quality of the corporate management is influenced by the quality of corporate reporting. For these reasons it is fundamental for an organization, not only to take positive and sustainable behaviors, but also to implement a good communication strategy through its corporate reporting, in order to disclose its goals. For what concerns Diversity Management and its communication to stakeholders, as we have seen previously, it is considered part of the Corporate Sustainability Reporting (CSR). There is not a clear regulation and definition about what companies have to communicate about sustainability, and in particular about Diversity, in any case if we consider a particular legislative context like the European Union, it is required to large companies to publish regular reports and disclose information about their social and environmental impact. This encourages companies to mature a responsible approach in their business.

The Directive 2014/95/EU, called Non-Financial Reporting Directive, regulates the way in which companies have to report their impact on society and environment, in the EU. It states that non-financial reporting is applied to companies with more than 500 employees, which have the characteristic of public interest, including listed companies, banks, insurance companies and other companies designated by national authorities<sup>66</sup>. Information requested by the Directive concerns social and environmental matters, treatment of employees, respect for human rights activities, anti-corruption information and diversity on corporate boards, considering criteria like age, gender, educational and professional background. So, a specific point in the Directive is dedicated explicitly to the

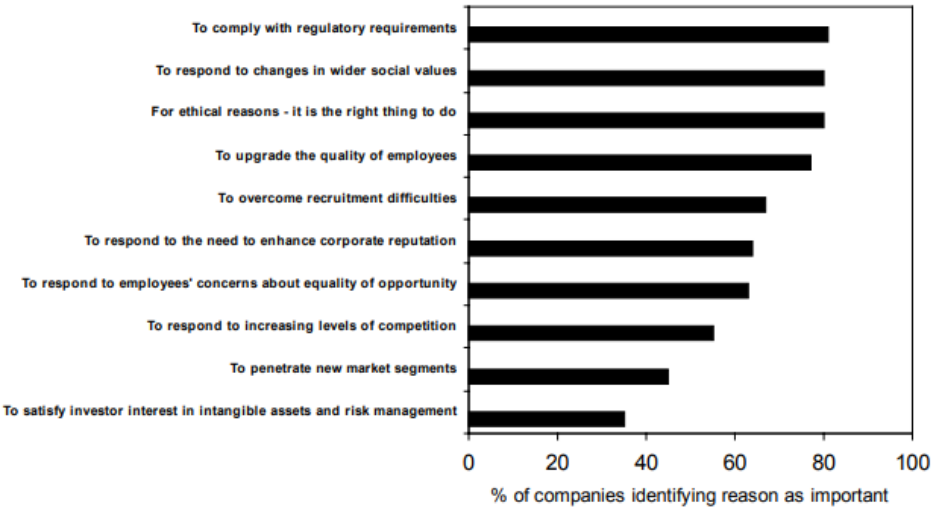
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<sup>65</sup> PwC, September 2014, Corporate performance: What do investors want to know?

<sup>66</sup> European Union Directive 2014/95.

theme of diversity, underling its importance for the company reputation and the interest behind the topic.

As the following graph shows, companies are motivated to develop a Diversity Management strategy and to communicate their achievements, not only for regulatory requirements, like the example of the Directive, but also to respond to others needs like changes in social values, ethical reasons or as a specific decision to improve employees working conditions. So, company that decide to disclose diversity management information and practices are not only companies which apply the EU Directive<sup>67</sup>.



*Factors influencing companies to develop and disclose diversity management practices (from Methods and Indicators to Measure the Cost-effectiveness of Diversity Policies in Enterprises, Final Report, 2003).*

Corporate reporting about social themes, like the Diversity Management, is part of the corporate reports published annually by the organization and available to all the stakeholders. In many cases there is a specific section in the report dedicated to the theme of diversity management, that changes on the basis of business choices, but usually it is defined as Diversity, Equity and Inclusion (DEI), as the following picture, taken by the example of Coca Cola, shows.

<sup>67</sup> Methods and Indicators to Measure the Cost-effectiveness of Diversity Policies in Enterprises, Final Report, 2003.

In the CSR reporting it is not sufficient to disclose information and to demonstrate the company responsibility on the theme of workforce diversity, but there is the need of a more complex commitment which incorporates not only workforce diversity, measurable through the increase in the representation of diverse employees, but also the workplace equity and inclusion<sup>68</sup>.

This last element is possible fostering a culture that encourage synergies and collaboration, which could be measured through companies' specific policies and decisions, and it depends by the singular organization. An important part of the DEI communication is the accountability. It means that organizations should be accountable for the results, defining goals, implementing KPI and evaluating results achieved.

## Diversity, Equity & Inclusion

**Diversity, equity and inclusion (DEI) are at the heart of our purpose, values and growth strategy. We aspire to create a better shared future for people everywhere by fostering an inclusive culture in our own operations and advancing diversity, equity and inclusion in the markets we serve.**

COVID-19 and the multiple social injustices witnessed globally in 2020 brought DEI to the forefront of communities around the world, including for our company, challenging us to take a hard look at where we were and where we need to be. In response, we developed a Global Social Justice Framework for Action, with four pillars:

■ **LISTENING:** We seek out the perspectives and expertise of employees, community leaders and social justice advocates to inform our actions.

■ **LEADING:** We have reviewed and updated our internal policies and practices—from recruitment to development to diverse representation across all job levels—to help ensure fairness. This includes rolling out DEI education for all employees globally.

■ **INVESTING:** We will invest our resources to advance important causes and use the voices of our brands to weigh in on important conversations. For example, in the United States, The Coca-Cola Foundation and the company (through our Coca-Cola and Sprite brands), have contributed more than \$5 million to date through grants, company funds, in-kind donations and employee matching funds to social justice causes.

■ **ADVOCATING:** Together with our bottling system, we will leverage our network and resources to embrace public policies that matter. For example, Coca-Cola Brazil joined a coalition of consumer goods companies to create a plan to address structural racism in Brazil. As part of its racial equity action plan, the company's Europe operating unit is working with 10 external racial-equity experts from countries all over the region to kickstart anti-racism action.

While the United States is at the epicenter, our framework is designed for global operating units to adapt and implement in the most meaningful and relevant ways locally. Learn about the creation of our [Racial Equity Plan](#) in the United States.

Since 2012, our Multicultural Leadership Council (MLC) has advised senior leaders on goals, strategies and initiatives to advance People of Color within our organization in the United States. Comprised of leaders from across our North America operating unit and corporate functions, the MLC will help drive the initiatives in our Racial Equity Plan.

### Accelerating Our Supplier Diversity Commitments

We are focused on increasing the overall diversity of our suppliers and are committed to spending \$1 billion annually with diverse suppliers in the coming years. We are more than doubling our spending with Black-owned enterprises

across our U.S. supply chain—by at least \$500 million cumulatively—over the next five years. Related to this commitment, we announced new outside legal counsel guidelines in January 2021. U.S.-based law firms that service the company must commit that at least 30% of billed associate and partner time will be from diverse attorneys, with at least half of these amounts from Black attorneys.

~\$800M

spent by the Coca-Cola system with diverse suppliers in the U.S. in 2020



**"As a company that believes diversity, equity and inclusion are among our greatest strengths, we are putting in place resources and energy toward helping end the cycle of systemic racism. We don't have all the answers. But I believe that, together with civic and community advocates, government officials, fellow business leaders and our partners—and with the views and voices of those who challenge injustice—we can find solutions."**

**JAMES QUINCEY**  
Chairman and Chief Executive Officer  
The Coca-Cola Company

### Reflecting the Diversity of Our Markets

Cultivating a diverse, equitable and inclusive workplace is a strategic business priority that fuels greater creativity, innovation and connection for our company—and a sense of belonging for our employees. While we currently track and measure progress against gender globally and race and ethnicity in the United States, our inclusion efforts worldwide span five dimensions: gender identity, culture and heritage, generation and life experience, LGBTQ+, and ability and wellness.



8 U.S. Business Resource Groups (BRGs) are focused on creating an inclusive workplace culture.

We believe we can make a bigger impact toward a more inclusive world through collaboration. We recently joined The Valuable 500, a global movement to advance disability inclusion, and we signed on to the Partnership for Global LGBTI Equality, a coalition of organizations committed to accelerating LGBTI inclusion in the workplace and in communities. The partnership is supported by the Office of the United Nations High Commissioner for Human Rights and operates in collaboration with the World Economic Forum.

*Example of Diversity, Equity and Inclusion reporting in the CSR of Coca Cola, from the 2020 annual report<sup>69</sup>.*

<sup>68</sup> Gupta P., 2019, Workforce Diversity Management: Key to Inclusive Sustainability, International Journal of Research in Engineering, Science and Management, vol.2.

<sup>69</sup>Coca Cola annual non-financial report, 2020, available in the website, <https://www.coca-colacompany.com/reports/business-environmental-social-governance-report-2020>.

### 2.3.1 A framework to communicate Diversity, Equity and Inclusion

As said in the previous paragraph, the communication of Diversity practices, through the CSR reports, has to be linked to different aspects, like the workforce diversity and the workplace inclusion. Then it has to be compared and measured through goals, KPI and results obtained.

Usually, these goals are linked to Sustainable Development Goals (SDG), in order to accomplish a common framework accepted all over the world and to enhance the concept of sustainability<sup>70</sup>, directly connected to the acceptance and valorization of diversities.



*Example of Sustainable development goals, used to define sustainability objectives in term of inclusiveness and diversity, from Sodexo's annual non-financial report, 2020<sup>71</sup>.*

The previous picture shows an example of SDGs adopted by Sodexo to implement diversity management practices in order to achieve sustainability objectives like inclusiveness and

<sup>70</sup>Hristov I. and Chirico A., 2019, The Role of Sustainability Key Performance Indicators (KPIs) in Implementing Sustainable Strategies, available at [www.mdpi.com/journal/sustainab](http://www.mdpi.com/journal/sustainab).

<sup>71</sup> Sodexo annual report, 2020, available in the website, <https://report.adidas-group.com/2020/en/servicepages/downloads.html>.

community enrichment. In particular, in this case SDGs are used in the non-financial report to define objectives that have an impact on individuals and on communities, enhancing the social sustainability. Every objective accomplishes to different SDGs like the objective to achieve 80% employee engagement rate, improving the goal of no poverty (1), quality education (4), decent work and economic growth (8), reduced inequalities (10).

Following this strategy, the better way to communicate diversity management strategy in the CSR report would be the coordination of solutions given by authors and the businesses cases.

It is possible to develop a framework for diversity communication given by this ensemble, coordinating the sustainability needs, developed in the framework by authors, with SDGs and key performance indicators from the first chapter, used to measure results obtained by the organization.

In the framework there are three dimensions which are considered to develop social sustainability, they are Learning and Growth, Community Development and Safety and Security.

Learning and Growth perspective is focused on intangible assets in an organization, on internal skills and capacities of employees to support the value creation and the innovation inside the organization<sup>72</sup>. Diversity Management contributes to it, giving the opportunity to attract employees with different backgrounds, new ideas and visions, and the possibility to create a safe workplace environment through training, internal communication and the improvement of inclusiveness between individuals.

This perspective is so sustained by Training, fundamental to develop employees' skills and potential; Job security, in order to ensure a safe workplace environment, where there could be a positive engagement of employees.

Employment of people with different backgrounds, assuring creativity and innovation, and avoiding in this way cultural inertia.

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<sup>72</sup> Narayanamma P. L. and Dr. K. Lalitha, 2016, Balanced Scorecard - The Learning & Growth Perspective, Vol. XXI, WeSchool, p. 62.

Community Development perspective is essential to ensure corporate social responsibility, considering that organizations' externalities have an important impact on the community where the organization operates. If these externalities are positive there would be a benefit both for the community and the organization, providing a positive social environment where it could attract potential customers, talented employees and institutional approval. Considering the Diversity Management impact, this perspective is sustained by Indigenous rights, Good Governance, Social involvement and Human rights.

Indigenous rights represent the importance given to employees of other cultures and ethnic minorities present in the community, in particular it is essential to estimate if there is inclusiveness of them in the work team and if they are treated equally with other individuals, providing them the opportunity of growing inside the company.

Good Governance means that actions and decisions defined by who run the organization have to be in line with the strategy, assuring objectives and in this case Community Development. Decisions taken by the Governance give a measure about the effective commitment of the management and leadership into the Diversity Management strategy. Social Involvement is important in order to maintain good relations both with internal and external stakeholders. Social involvement with external stakeholders is useful to understand how much the organization is involved with the community and how much it contributes positively to its development and progress.

Finally, Human rights, similarly to Multicultural employees' rights represents the measure to how much the business respect individuals, starting from its employees, until to all the individuals living in the social community, giving them equal opportunities and possibility to grow inside the business.

The last perspective is Safety and Security, considering Diversity Management it regards in particular the necessity to work in a positive workplace where the strategy is developed in order to improve the psychological needs of employees, working in an environment where stress, conflict, inequalities and discontent are limited. Safety and Security is measured by Labor Practices and Fair Practices.

Labor Practices are practices which have a direct impact on human resources, and affect employees’ life, in this case trying to develop the potential of every employee, and creating synergies between differences. Some examples are decisions in terms of promotion and remuneration, occupational safety and healthy, working conditions.

On the other side, Fair Practices concerns all actions and decisions taken by the company, and not linked specifically to labor conditions. They should in particular adhere to ethical principles in line with social sustainability needs like the creation of inclusiveness, the respect of human rights, the development of equal opportunities and treatments.

<b>Learning and Growth</b>		
	<b>Goals</b>	<b>Key performance indicators</b>
<b>Training</b>	SDG 4 Quality Education	Employees globally went through new racial justice and inclusion training program made by the organization;  Attraction of new talents with cultural and other types of diversity.
<b>Job satisfaction</b>	SDG 3 Good Health and Well-being, SDG 8 Decent work and economic growth	Social issues identified through audits;  Positive score on inclusivity in employees listening surveys;  Employee’s engagement rate.
<b>Employment</b>	SDG 1 No poverty, SDG 5 Gender Equality, SDG 8 Decent work and economic growth, SDG 10 Reduced Inequalities	Percentage of multicultural employees;  Percentage of woman employed;  Percentage of employees representing different ages.  Employees with disabilities;  Number of employees presenting particular characteristics: ex. Refugees;  Percentage of woman employed in leadership;

Percentage of women employed in the management;  
 Percentage of women employed in executive committees.

Community development		
<b>Different employees' rights</b>	SDG 8 Decent work and economic growth SDG 10 Reduced Inequalities, SDG 16 Peace, Justice and Strong Institutions	Percentage of multicultural employees; Social issues identified through audits; Positive score on inclusivity in employees listening surveys; Equal pay for equal work; Attraction of new talents with cultural and other types of diversity.
<b>Good governance</b>	SDG 5 Gender Equality, SDG 10 Reduced Inequalities, SDG 11 Sustainable cities and communities, SDG 16 Peace, Justice and Strong Institutions	Positive scores given by employees in surveys linked to leadership commitment on diversity; Conflicts between employees or/and management/leadership; Social issues identified through audits; Positive score on inclusivity in employees listening surveys; Benefits given to employees due to higher team performance.
<b>Social involvement</b>	SDG 1 No poverty, SDG 3 Good Health and Well-being, SDG 5 Gender Equality, SDG 8 Decent work and economic growth, SDG 10 Reduced Inequalities, SDG 11 Sustainable cities and communities,	Positive customer engagement in social networks or other media and channel of communication; Number of nominations di research publications and articles, by institutes and universities; Recognition in indices linked to diversity and inclusion (ex. Bloomberg index for Gender Diversity); Employee turnover; Employee advancement and retention;



	SDG 16 Peace, Justice and Strong Institutions, SDG 17 Partnership for the goals	Customer satisfaction rate; Customer retention.
<b>Human rights</b>	SDG 1 No poverty, SDG 3 Good Health and Well-being, SDG 5 Gender Equality, SDG 10 Reduced Inequalities, SDG 16 Peace, Justice and Strong Institutions	Conflicts between employees or/and management/leadership; Social issues identified through audits; Positive score on inclusivity in employees listening surveys; Equal pay for equal work; Gender pays equality index.
<b>Safety and security</b>		
<b>Labor practices</b>	SDG 1 No poverty, SDG 3 Good Health and Well-being, SDG 5 Gender Equality, SDG 8 Decent work and economic growth, SDG 10 Reduced Inequalities	Employee advancement and retention; Benefits given to employees due to higher team performance; Employee turnover; Employee advancement and retention.
<b>Fair practices</b>	SDG 1 No poverty, SDG 3 Good Health and Well-being, SDG 5 Gender Equality, SDG 8 Decent work and economic growth, SDG 10 Reduced Inequalities	Positive score on inclusivity in employees listening surveys; Equal pay for equal work; Gender pays equality index; Employee's engagement rate.

*Framework proposed by the author*

As said previously, the framework proposed analyzes three dimensions concerning the communication of social sustainability by the company. In this case the object of the communication is the strategy adopted to manage diversity and the relative results achieved. For each dimension some elements are indicated, linked to the concept of diversity inside the organization and their importance in terms of social sustainability.

Every element is committed to some goals, in this case SDGs, as we have seen they are extremely important and used inside the CSR communication through non-financial reporting, and it is associated to some key performance indicators, seen in the first chapter. Each element used in the communication about diversity management could be correlated to different SDGs, contributing to them in different ways. Considering the example of employment, it contributes to reduce poverty, improving quality of life to individuals which could have some difficulties to enter the labor market due for example to their origins or culture; higher employment of women contributes to create gender equality, giving better economic and life opportunities to women; more employment between people in a social context improve economic growth and give the possibility to access decent working conditions to some categories of individuals which are usually discriminated. At the same time, it contributes to the objective to reduce inequalities, giving equal possibilities to every category of individuals on the basis of their capacities and results. Contributions in term of sustainability can be measured through indicators of performance, that in this case, due to the kind of communication and to the subjects to which it is faced, are non-financial indicators but qualitative indicators committed to the organization's social role.

The impact in terms of social dimension touched and SDGs contribution could be measured through different indicators which in some cases could be useful to measure also other aspects about social sustainability. If we consider for example the indicator measuring positive score on inclusivity in employees listening surveys, it could be useful to understand both how much good is the system of governance implemented by the organization, but also the social involvement that the organization has considering the social group represented by its employees, but also to measure fair practices in term of labor, ensuring equal and minimum rights to all individuals working inside the organization.

## **2.4 Stakeholders perception and diversity management outcomes**

Diversity management communication is extremely important in order to improve the awareness about strategy developed and objectives achieved, to all the stakeholder and in

particular investors, consumers and employees. Non-financial reports and internal communication between leadership, management, auditors and employees are used to measure performance achieved, but also to improve weaknesses in the strategy and to set new future goals on the basis of these weaknesses.

Internal communication is important specially to go beyond obstacles that mine the implementation of the strategy. Many of these obstacles in fact emerge from internal issues which are<sup>73</sup>:

- the difficulty in changing the existing culture, proper of the organization;
- lack of internal understanding and involvement;
- lack of empathetic about benefits that the organization could face thanks to diverse workforce and the valorization of differences;
- difficulty to quantify benefits and returns in order to sustain relative investment;
- the failure to appreciate the scale of the changes needed.

Internal communication in this sense is useful to improve internal responsiveness permitting to create inclusiveness in the workplace and better results in terms of value, given by the diversity management strategy.

Considering outcomes achieved through the Diversity Management practices, literature review evidences in particular four general advantages which are:

- the advantage given by diversity in the labor market;
- the maximization of the employees' potential;
- easier management across borders and cultures;
- the creation of business opportunities and the enhancement of creativity<sup>74</sup>.

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<sup>73</sup> Methods and Indicators to Measure the Cost-effectiveness of Diversity Policies in Enterprises, Final Report, 2003.

<sup>74</sup> Report from ESF Project: Involvement of Stakeholders in Diversity Management. Professional Perspectives on Diversity Management, European Social Fund, December 2005.

The first point is based on the belief that organizations following an integration and learning approach to diversity, value in this way expertise and contribution of every individual, characterized by different backgrounds<sup>75</sup>. This means to consider diversity as a resource useful to learn, change and renewal practices and view inside the organization<sup>76</sup> and to develop an approach which benefit the organization of goals like higher efficiency given for example by higher employees' motivation and productivity, higher customer satisfaction thanks to a better reputation given by a good CSR communication and social responsibility thanks to the organization's social commitment<sup>77</sup>.

The second point is based on an individual perspective, considering the valorization of the employee potential. Developing a Diversity Management strategy, the company develop also inclusiveness and interesting towards employees, trying to extract their potential, valorizing their singular backgrounds and reaching the highest level of performance by every employee.

This point is discussed in the Diversity Management literature. Some disappointment regards the fact that in some cases employees consider the use of employees' differences by organizations, simply to improve business performance, with the consequent feeling of exploitation between employees<sup>78</sup>. For this reason, it is necessary for the business, to not be concentrated only to financial performance linked to Diversity, but also to benefit connected to individuals, like employee's satisfaction and engagement in the organization. The third point, favored management across borders and cultures, regards in particular multinational companies, which cooperate intensively with many cultures both considering employees and customers. In these cases, Diversity Management appear fundamental in

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<sup>75</sup> Thomas D. A. and Ely, R. J., 1996, Making differences matter: A new paradigm for managing diversity, Harvard Business Review, pp. 79–90.

<sup>76</sup> Ely R. J. and Thomas, D. A., 2001, Cultural diversity at work: The effects of diversity perspectives on work group processes and outcomes, Administrative Science Quarterly, p. 248.

<sup>77</sup> Dass P. and Parker B., 1999, Strategies for managing human resource diversity: From resistance to learning, Academy of Management Executive, p.72.

<sup>78</sup> Thomas D. A. and Ely R. J., 1996, Making differences matter: A new paradigm for managing diversity, Harvard Business Review, pp. 79–90.

order to create inclusiveness and to enhance the organization's ability to reach and satisfy a broader customer base. In particular, Özbilgin, Tatli, and Jonsen (2015)<sup>79</sup> argue that Diversity, as a social reality, urges organizations to capture and manage the potential of workforce diversity globally, permitting the opening to a vaster range of resources.

The fourth point is one of the most discussed in the diversity literature, sustaining that diversity inside an organization could give competitive advantage in terms of enhanced creativity, thanks to increased commitment, job satisfaction and a positive workplace (Cornelius et al., 2001; Cox and Blake, 1991)<sup>80</sup>.

Bassett-Jones N. (2005)<sup>81</sup> sustains that diversity improve creativity and innovation inside the organization, giving the basis for a competitive advantage. This is a result given by a higher commitment of employees, thanks to an approach to human resource management that support the internal labor market, giving reliance to employees' skills and knowledge and using outcomes as drivers, rather than a process-drivers approach. Different background between employees fosters the creation of new ideas and the exchange of skills, while it avoids the danger of a cultural inertia which could be unproductive for the organization.

At the same time the literature evidences a paradox concerning creativity and innovation linked to diversity. In particular the paradox for Bassett-Jones depends to the fact that companies embracing diversity, they could risk workplace conflicts due to differences in vision and cultures between employees; at the same time the avoidance of diversity, could give the risk of loss of competitiveness.

Also, Ely and Thomas (2001), argue that diversity inside teams could damage cohesiveness, communication compromising the quality of processes. In order to avoid issues related to

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<sup>79</sup> Özbilgin M., Tatli A. and Jonsen K., 2015, *Global diversity management: An evidence-based approach*, New York: Palgrave Macmillan.

<sup>80</sup> Cornelius et al., 2001, *Managing difference fairly: an integrated 'partnership' approach*, in Noon M., and Ogbonna, *Equality, diversity and disadvantage in employment*, Basingstoke, p.32.

<sup>81</sup> Bassett-Jones N., 2005, *The Paradox of Diversity Management, Creativity and Innovation*, Volume 14 nr 2, Blackwell Publishing Ltd, pp. 169-175.

Diversity Management and to achieve the better result possible from the strategy, it is again fundamental the internal communication and the training of employees, with the objective to overcome internal barriers and conflicts given by them.

Considering specific performances linked to Diversity Management we could discuss first of all the reduction of costs which have a direct impact on the business productivity. The reduction of costs is underlined in the literature by authors like Cox and Blake (1991)<sup>82</sup>, Schwartz (1989)<sup>83</sup>, Lorenzo R., Reeves M. (2018)<sup>84</sup> and Cuomo, Mapelli (2007)<sup>85</sup>, which correlates this with the better working conditions that diminish stress, absenteeism, demotivation, conflicts and mobbing cases.

The reduction of costs regards also costs sustained to hire and train human resources, thanks to a lower turnover and a vaster availability of potential employees. Finally, the reduction of costs is connected also to a lower number of lawsuits due to conflicts and social issues inside the organizations, and to the avoiding of market sanctions linked to bad reputation and represented by the loose of actual or potential customers or the loose of employees' engagement.

Another point evidenced by the literature is the higher competitiveness<sup>86</sup> linked to Diversity Management strategy, associated to a positive workplace environment, higher creativity and innovation and better problem-solving skills from the work team (Cox J.T. and Blake S., 1991).

The better image and reputation given to the organization by Diversity Management is also considered as a good performance. It has a direct impact on sales and it valorizes the CSR,

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<sup>82</sup> Cox J.T. and Blake S., 1991, Managing cultural diversity for organizational competitiveness, *Academy of Management Executive*, pp. 45-56.

<sup>83</sup> Schwartz F., 1989, Management women and the new facts of life. *Harvard Business Review*, pp. 65-76.

<sup>84</sup> Lorenzo R. and Reeves M., 2018, How and where diversity drives financial performance, *Harvard Business Review*, January, pp. 1-5.

<sup>85</sup> Cuomo S., Mapelli A., 2007, Diversity Management. Gestire e valorizzare le differenze individuali nell'organizzazione che cambia, Guerini e Associati, Milano.

<sup>86</sup> Riccò R., 2008, Teoria e pratica della Gestione delle Diversità, chapter 9, pp. 188-225, Pitagora Editrice, Bologna.

as seen in the previous paragraphs, giving value to the company and increasing the value of shares. In particular, Wright P. et al. (1989)<sup>87</sup> evidence that high qualitative diversity management and affirmative action programs create a competitive advantage and are positively valued in the market. They are in fact valuable investments which increase the value's stock price, giving a favorable market reaction due to a more creative culture, to better reputation, the attraction of talented human resources, but also to a higher capacity of adaptation to external environmental changes, thanks to its differentiation.

On the other side, companies which use discriminatory practices, have less access to talented human resources, because in many cases they could decide to avoid this type of companies, favoring those organization which will develop their talent and skill over their cultural and demographic background.

At the same time, they present higher rate of turnover, absenteeism, dissatisfaction and low employees' engagement, with consequent high operating costs. This surely impact investors reputation, bidding down share prices, contrary to the Diversity Management case (Wright P. et al., 1989).

We could consider also the better relation with customers as a benefit correlated to Diversity. Cox and Blake consider Diversity as a tool useful to improve the service offered to customers and to improve their satisfaction; while Anderson (2003) proposes the thesis that consider an improvement in the profits due to a wider market share thanks to the higher number of customers the company can satisfy through its Diversity Management Strategy applied to its human resources<sup>88</sup>.

A study conducted by McKinsey in 2015<sup>89</sup> considering a sample of companies in United Kingdom, United States, Canada and Latin America, evidences that companies developing Gender Diversity practices have 15% higher financial performance than other companies;

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<sup>87</sup> Wright P. et al., 1989, Competitiveness through Management of Diversity: Effects on Stock Price Valuation, The Academy of Management Journal, Vol. 38, No. 1, pp. 272-287.

<sup>88</sup> Anderson T., Metcalf H., 2003, Diversity: stacking up the evidence, CIPD: London.

<sup>89</sup> Report from McKinsey and Company, authors Hunt V., Layton D., Prince S., Diversity Matters, February 2015.

while companies with Ethnic Diversity perform 35% better than companies with homogeneous ethnicity.

On the contrary, companies with low Gender Diversity and Ethnic Diversity levels, perform 25% lower than companies with Diversity Management practices.

Diversity Management is surely a challenge for business, due to the fact that there is not a fixed and singular line to develop inside the organization in order to manage it, and also to internal barriers difficult to overtake, especially when we discuss about culture, visions and values proper of a social dimension from decades; but it is also an important and inevitable opportunity, which an organization has to take in order to continue to be competitive in the market and to be attractive in a constantly changing economic and productive environment. The following table synthetizes goals and performances linked to Diversity Management, considering the literature, on the basis of evidences extrapolated from samples of organizations.

Differently to performances evidenced in the communication about Diversity Management, through non-financial reports addressed to all stakeholders, these performances comprehend the financial and economic sphere, which usually are not considered in the communication, in order to avoid the perception of opportunistic behaviors by the organization, with the objective to exploit Diversity Management to pursue only financial interests. In any case, as expressed previously, there are financial benefits linked to this strategy, which are important opportunities for organizations, if coordinated to non-financial performance and interests.

Goals and Performances	Evidences
<p><b>Creativity and Innovation</b>            Cornelius at all., 2001; Cox and Blake, 1991; Bassett-Jones N., 2005; Lorenzo R., Reeves M., 2018.</p>	<p>Increased commitment;            Job satisfaction;            Positive workplace;            New ideas thanks to different backgrounds;            Avoiding of cultural inertia.</p>



<p><b>Higher employees' potential</b> Cox J.T. and Blake S., 1991; Wright P. et al. 1989.</p>	<p>Inclusiveness and interest towards employees; Valorization of singular backgrounds; Higher level of individual's performance (productivity).</p>
<p><b>Reputation and image</b> Wright P. et al., 1989; Anderson T. and Metcalf H., 2003.</p>	<p>Strategy positively valued in the market (customers' satisfaction, value of stock prices); Attraction of talented human resources; Employees' retention; Less absenteeism and dissatisfaction; CSR improvement.</p>
<p><b>Management across borders and cultures</b> ESF Project Report, 2005 and Riccò R., 2008;</p>	<p>Ability to reach and satisfy a broader customer base; Ability to capture and manage the potential of workforce diversity globally (ex. Global human resources).</p>
<p><b>Lower operational costs</b> Cox and Blake, 1991; Schwartz, 1989; Cuomo and Mapelli, 2007.</p>	<p>Lower costs to hire and train human resources (lower turnover and vaster availability of potential employees); Lower number of lawsuits (fewer social conflicts); Avoiding of market sanctions due to bad reputation.</p>
<p><b>Higher competitiveness</b> Riccò R., 2008; Cox J.T. and Blake S., 1991.</p>	<p>Lower operational costs (like administrative costs); Better problem-solving skills from the work team; Higher profits.</p>
<p><b>Higher stock prices and value</b> Wright P. et al., 1989; Anderson T., Metcalf H., 2003; McKinsey Report, February 2015.</p>	<p>Higher capability of adaptation to external environmental changes; Differentiation; Positive investors' reputation.</p>

*Developed by the author on the basis of the literature.*

## 2.5 Challenges connected to Diversity performance

Literature concerning Diversity Management evidences not only performance and benefits but also some critical aspects that represent challenges for organizations which decide to develop Diversity Management practices.

A first point discussed regards the paradox argued by Bassett-Jones (2005), sustaining that companies embracing diversity, could risk conflicts due to differences in vision and cultures between individuals inside the organization; but at the same time the avoidance of diversity, could give the risk of loss of competitiveness, due to a cultural inertia and less attractive and innovative ideas with respect to competitors.

Another issue argued by Thomas D. A. and Ely R. J. (1996) regards the possible feeling of exploitation by employees, due to the bad use of Diversity Management only to improve economic business performance, without having an authentic interest for human resources and the social work environment. This obviously could compromise the company reputation due to a dishonest communication, with important consequences and sanctions by the market.

One more challenge concerning diversity, is the Individualism. Özbilgin M. F. (2019)<sup>90</sup> discusses that through Diversity Management, individuals inside the organization are expected to demand recognition of their differences and to respect diversity in the work environment. This means that the organization fix the responsibility on the individual, concentrating its expectations on him, rather than on the system or the process that instead generates unequal or discriminatory outcomes. For this reason, it should be necessary to maintain a perspective not focused much on the individual, but on the whole company, trying to develop an organizational change and not only an individual responsibility to implement the change.

Deregulation is another challenge linked to Global Diversity Management and discussed by Özbilgin M. F. As said in the first chapter, these practices are not mandatory, but at discretion of the company. This has only the responsible for what it discloses to its stakeholders and it responds about it. Global Diversity Management in this sense could be used unfairly by the organization, taking different practices for diversity on the basis of the context in which it is operating. This means for example that the organization could decide to treat equally women in countries where social pressure is high and there is a risk for company reputation,

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<sup>90</sup> Özbilgin M. F. et al., 2019, Global Diversity Management, Management for Professionals, available at [https://doi.org/10.1007/978-3-030-19523-6\\_3](https://doi.org/10.1007/978-3-030-19523-6_3), pp. 25-39.

while it could act in a discriminatory way in less-regulated countries, where there is not this pressure; but in any case, it could decide to underline its commitment on social sustainability, considering only the positive part of its actions.

Finally, we could consider Financialization, as another challenge, linked to Thomas D. A. and Ely R. J. (1996), Özbilgin M. F. (2019), Tomaskovic-Devey and Lin (2013)<sup>91</sup> argumentations. Financialization is the priority given to financial rationales over moral and social ones, this means that everything is turned into a marketable resource, exploiting human being and social strategies like Diversity Management to improve financial performance, contributing in this way only to increase financial performances. In any case, Tomaskovic-Devey and Lin argue that an excess of financialization is detrimental for the organization creating inequality between employees and damaging labor conditions and relations with workers. Effectiveness of Diversity Management is compromised by these challenges which could influence negatively performance, despite the opportunities expressed in the previous paragraph. For this reason, it is fundamental to balance interests inside the organization, considering all the dimension involved in the strategy and inside the business, developing overall satisfaction and not singular ones. At the same time the fairness in the disclose of information through non-financial reports is important in order to avoid misunderstanding and damages of image due to opportunistic behaviors.

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<sup>91</sup> Tomaskovic-Devey D. and Lin K. H., 2013, Financialization: Causes, inequality consequences, and policy implications, NC Banking Institute, p. 167.

### **3) Diversity linked to business' performance: Business Cases**

As we have seen in the previous chapter, Diversity Management is a common challenge which every organization has to deal with, considering the globalized world and market in which we live and work. There is evidence that the management of Diversity, despite the difficulties and the obstacles to its development, could give important benefits to organization, gaining both from a financial point of view, through better financial and economic performance, and from a non-financial point of view, improving non-financial performance connected to social and sustainability goals like the employees' retention or the better customer reputation.

In order to achieve some good results, it appears fundamental a good communication strategy, which should be concentrated not only on performance obtained, but especially to the Corporate Social Responsibility developed through Diversity practices. Communication in this sense is extremely important in order to achieve goals, avoiding possible mistakes and misunderstandings determinate to possible paradoxes the organizations could face. It is usual in fact that Diversity Management practices and communication are exploited in order to advantage employer, without creating effectively inclusiveness and valorization of employees, this because it is concentrated more on the competitive advantage and financial performance rather than to non-financial performance and social issues.

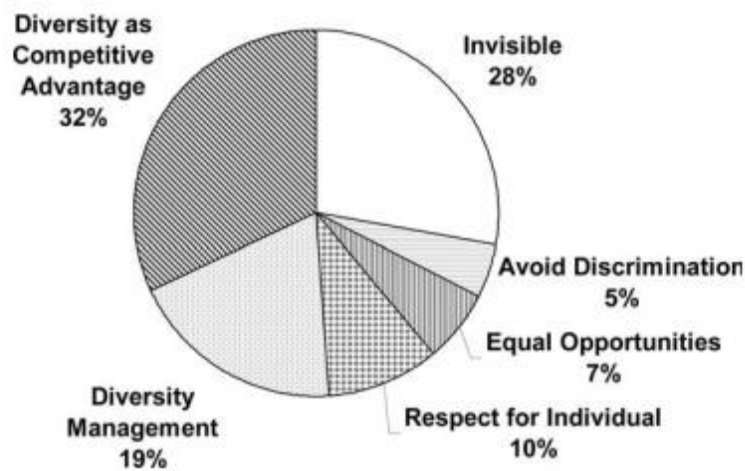
Another important point evidenced from researches regards the fact that there is not an effective path to follow in order to develop Diversity Management strategy, there is a lack in the legislation concerning the theme, and secondly differences among countries and internal barriers, create difficulties to develop a unitary regulation regarding Diversity and its valorization. In any case, while it seems that Diversity Management is a voluntary practice developed by organizations, there is evidence from theory that, despite the lack of regulation, it is compulsory in order to respond to stakeholders' requests and to accomplish the Social Contracts Theory, avoiding the exit of the company from the market.

Companies in the everyday reality manage Diversity in different ways, but following similar practices developed by consolidated experience, and stakeholders' request.

The following chapter is focused on the Diversity Management strategy effectively applied by organizations. It has the aim to understand, considering a sample of European and US businesses, how companies try to develop a Diversity Management strategy, how they communicate their goals and objectives and finally which are the outcomes effectively obtained.

### 3.1 Diversity inside Western companies

The challenges of diversity currently faced by European and US companies regards the multicultural, multilingual, multiethnic population living within its borders. They are connected to the ethnic diversity, national discrimination, refugees seeking for asylum, the new equal roles of women compared to the past, new trend in the age of population like the aging of population and the lower birth rates, and all the issues connected to the population. Not every organization decide to manage Diversity, but there are effectively different approaches used to deal with it<sup>92</sup>.



*Diversity approach in top European companies (from Val Singh and Point S., 2004).*

<sup>92</sup> Val Singh and Point S., 2004, Strategic Responses by European Companies to the Diversity Challenge: An Online Comparison, Long Range Planning, pp. 295–318.

As the previous picture shows, there are different approaches to Diversity in daily practices. Only a small part of them is really involved to Diversity Management and inclusion, obtaining the so-called synergy from differences, called in the first chapter. In many cases Diversity is invisible, so not taken into consideration, developing a discriminatory response to diversity and a monocultural company. In other cases, the response is a non-discriminatory response, limiting the interest on avoiding discrimination, giving equal opportunities or respecting individuals. Finally, in a big part of organizations use Diversity to create a competitive advantage on economic and financial terms for the employer, but without having a real interest for individuals.

### **3.1.1 Contemporary debates**

Considering Western countries and in particular companies in Europe, Diversity is a quite spread theme, due to the strong multicultural context and the open labor market present on the Union territory. In particular Europe is composed by countries with different features, but constantly interfaced among them, both from an economic and commercial point of view, and also due to the mobility in the job market between countries outside and inside Europe. Minorities are strongly diffused in different countries, while new migration flows especially from African countries and countries touched by wars create new minorities and exigences of inclusiveness. Stated appears extremely different among them, considering some with a strong national identity like France or Spain, post-communist states, which are rediscovering their culture like Romania, Bulgaria or Hungary, others where the national identity is extremely connected with the religion like Italy or Turkey, states with significant regional identities like Italy, Germany or Spain<sup>93</sup>. In all of them there is a growing need to manage these differences in order to improve economic relations, benefitting the market, and to create inclusiveness starting from the workplace.

At the same time in Western countries, recently there is a growing demand for the recognition concerning gender diversity and the sexual orientation also in the workplace.

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<sup>93</sup> Anna Triandafyllidou, 2011, Addressing Cultural, Ethnic & Religious Diversity Challenges in Europe. A Comparative Overview of 15 European Countries, European University Institute.

LGBTs movements ask for the inclusiveness in the workplace and the equal treatment despite their orientation. LGBT workers continue to face prejudice and discrimination in the workplace due to their sexual orientation and gender; despite this, for years LGBT workplace issues have not been considered as a real diversity issue to take into consideration in the Diversity Management strategy<sup>94</sup>. In any case, differently from the past decades, today organizational policies and practices give importance to LGBT workplace issues, trying to examine how to create work environments which are LGBT inclusive<sup>95</sup>.

But the request from a part of the society is about that “promoting gay friendly policies is not enough; employers have actually to be gay friendly”<sup>96</sup>. This means that organizations should include, as well as inclusion and a prepositive environment for LGBTs individuals, also policies in order to ensure rights to these individuals like employment policies covering sexual orientation and gender identity but also domestic partnership benefits for same-sex couples and respectful advertising to LGB stakeholders, or moreover support for LGB communities<sup>97</sup>. The result, as for Diversity Management, would be a more solid team, with higher employees’ engagement and higher stakeholders’ satisfaction. Current situation appears improved with respect to previous decades, thanks to an increasing involvement by politic and organizations, but there are again many barriers to overcome due to culture and stereotypes.

Another debate concerning Diversity in Western countries regards Colored people. This type of diversity issue is different from nationality or cultural diversity, because it is based only on the color of the individual’s skin, and not on its cultural or ethnic background.

An example could be the one in France and Sweden, where second generation sub-Saharan African youth frequently experience in the everyday life racial discrimination, in the

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<sup>94</sup> Eddy S. Ng and Rumens N., 2017, Diversity and Inclusion for LGBT Workers: Current Issues and New Horizons for Research, Middlesex University Research Repository.

<sup>95</sup> Everly B. A. and Schwarz J. L., 2015, Predictors of the Adoption of LGBT-Friendly HR Policies. Human Resource Management, pp. 367-384.

<sup>96</sup> Fullerton M., 2013, Diversity and inclusion – LGBT inclusion means business, Bank of America Merrill Lynch.

<sup>97</sup> Correia N. and Kleiner B. H., 2001, New developments concerning sexual orientation discrimination and harassment. International journal of sociology and social policy, p. 95.

research of a job, in the workplace and in the social life generally<sup>98</sup>. Many times, this perception persists also when individuals are citizens of the state, and live in the country from various generations. In the US, African Americans represent a big part of the population, but despite the progresses achieved in the decades, starting from the affirmative action, a skeptical idea is diffused considering successful persons of color. The perception is that people of color have to work harder to be accepted in the workplace, especially in higher positions, and there are perceived differently despite white Americans<sup>99</sup>. The debate about racial discrimination of colored people has become common in the last years also through the movement of Black Lives Matter, in US, but also in other Western countries, asking for better conditions and respect for black individuals.

Finally, an important argument about Diversity in Western countries regards Muslim individuals. This aspect is connected to cultural diversity, and in particular to the religious sphere. Muslims are a large group in EU countries which give important challenges in terms of diversity, in the social life and also in the workplace. Anna Triandafyllidou (2011) sustains that it is not a uniform group, due to its differences starting from the country of origin, different languages and different versions of Islam to which it adheres. At the same time, the inclusion of this big and not homogenous group, is in many cases difficult due to extremely different vision and practices with respect to native European population, that often bring to discrimination and social tensions also in the workplace. As an example, we could consider the different vision about religion in France, where the Muslim group is quite spread. While in fact the French country is laic and the religion is considered as a private dimension proper of the individual, for Muslim individuals sometimes the concept of laicity is difficultly accepted, due to the strong impact that Islam has in the everyday life. The challenge in this case is represented by the need to create cohesion between these differences, without removing anything to each one.

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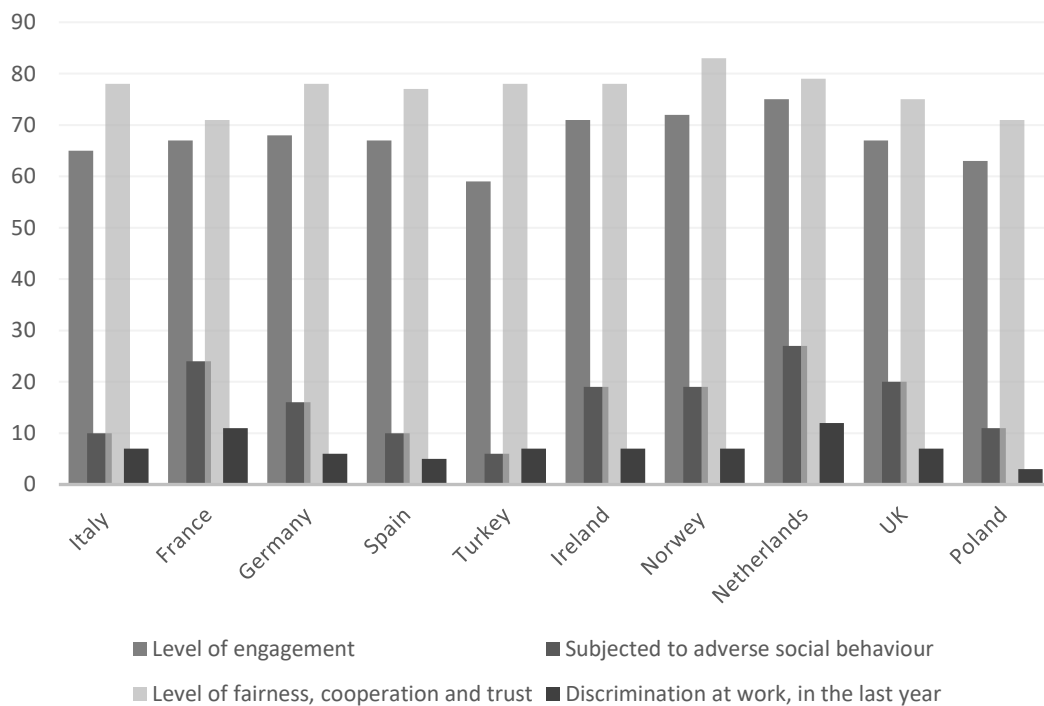
<sup>98</sup> Anna Triandafyllidou, 2011, Addressing Cultural, Ethnic & Religious Diversity Challenges in Europe. A Comparative Overview of 15 European Countries, European University Institute.

<sup>99</sup> From Harvard Business Review website, <https://hbr.org/1997/09/a-debate-on-race-in-the-us-workplace>



### 3.1.2 Statistics and commitment

Considering European statistics, from a study conducted by the European Commission in 2021, in occasion of the European Diversity Month, 59% of the European population believe that discrimination due to ethnic origin and background is widespread in the European context. Furthermore, the unemployment rate for individuals born outside the Union, appears to be about double (12.3%) with respect to unemployment rate native born population (7.3%)<sup>100</sup>.



*Elaborated from the author, data collected by the European Foundation for the Improvement of Living and Working Conditions, 2020<sup>101</sup>.*

In any case, as the previous graph demonstrate, considering some countries with different features, the social working condition connected to the concept of diversity in the workplace are generally good, with some exception. Surveys between employees give good

<sup>100</sup> European Commission, 2021, United against racism – why does it matter for an employer? European Diversity Month 2021.

<sup>101</sup> From the European Foundation for the Improvement of Living and Working Conditions, <https://www.eurofound.europa.eu/data/european-working-conditions-survey>

percentages in term of level of fairness, cooperation and trust in the workplace, all above 70%. Percentages regarding discrimination at work in the last year are quite low, below 10%, while percentages connected to the subjection to adverse social behaviors are in some cases higher, but they are not necessarily linked to a problem in the management of diversity. Finally, a good percentage in the level of engagement is diffused in the different countries, underling the fact that Europe is acting well in order to create a good social workplace for employees.

In the last years the commitment of the European Union on Diversity Management in the work place regards also the creation of some Diversity Charters, developed and launched by 26 Member States to encourage organizations (both NGOs, public bodies and private companies) to develop, launch and implement diversity and inclusion policies. The European Commission has recognized the contribution of these Charts in order to fight the workplace discrimination and to promote the equality.

Diversity Charters are launched by Member States and sustained by EU Commission, with the aim to promote Diversity Management. Organizations can decide to subscribe the chart of the Member State, contributing to sustain its objectives, and at the same time having the benefit to use the member state's logo of Diversity Chart, both for external and internal communication, in order to communicate the commitment on the Diversity and Inclusion topic; and at the same time this permit to have visibility with national and international institutions. The subscription to the Diversity Charter contributes to develop Sustainable Development Goals, in particular 10 (Reduced Inequalities), 8 (Decent work and economic growth) and 5 (Gender equality)<sup>102</sup>. Furthermore, it gives the possibility to accomplish commitments taken through the non-financial reporting, improving the Corporate Social Responsibility, called in the previous chapter. Actually, the European Commission counts over 12 000 signatories to these Charters, considering public and private organizations and NGOs, representing about 16 million of employees in Europe. These numbers, which are

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<sup>102</sup> From the European Commission website, [https://ec.europa.eu/info/policies/justice-and-fundamental-rights/combating-discrimination/tackling-discrimination/diversity-and-inclusion-initiatives/eu-platform-diversity-charters\\_en](https://ec.europa.eu/info/policies/justice-and-fundamental-rights/combating-discrimination/tackling-discrimination/diversity-and-inclusion-initiatives/eu-platform-diversity-charters_en)

growing in the years, give the quantification about the necessity to recognize Diversity Management as a fundamental topic in organizations.



*Logos of some Member States, used by organizations to communicate their commitment to Diversity Management, through the subscription to the national Diversity Charter.*

The commitment to Diversity Chart could give to organizations also the possibility to create networks in order to exchanges best practices, to monitor progresses and give feedbacks to organizations to improve Diversity Management in the workplace, due to the lack of legislation on the topic, accomplishing in this way to SDG 17, aimed to create some partnership in order to achieve the goals.

### **3.2 Business Cases Analysis**

The objective of this paragraph is to analyze in which way companies develop their Diversity Management strategies, and which are the results that they communicate to stakeholders. As seen, the communication about Diversity is conveyed through non-financial reporting, so it could be useful to understand how it is used and if there is evidence about performance called by the literature.

The framework used resume the key performance indicators, seen in chapter 1, adapting them in order to see which are the evidences from the strategies applied by organizations.

### **3.2.1 Sample of Businesses**

The sample of organizations is composed by thirteen private organizations, which have signed Diversity Charters in Europe. They are some of the biggest companies signatories of Diversity commitments across Europe countries, cooperating in this way with institutions in order to enhance Diversity and Inclusion Practices in the European landscape.

The group comprehends organizations from a variety of industry sectors, and it is composed from business of different size. The choice to use a sample of companies signatories of these Charters is linked to the interest of understanding if these organizations are effectively communicating indicators in the framework and which are the performance and targets communicated to stakeholders on the basis of Diversity Management strategy.

These companies appear more propense and interested to publish their CSR involvement and non-financial reporting, due to their size in term of employees and community impact, and the large number of stakeholders involved in their activity.

Moreover, they invest large number of resources in order to develop strategies and practices to manage their human resources to perform the better results possible. In this case, Diversity Management is a real investment in order to improve performance, the workplace environment and to reach non-financial goals linked to the social sustainability. This sample of companies includes also important examples of best practices for small and medium enterprises, which have less resources to spent in order to develop this type of strategy, giving important contribution in order to improve Diversity Management practices efficiently, starting from their case.

Companies	Activity Sector	Size (employees)
Sodexo	Food Service	412 000
Coca Cola EU	Beverage and food	86 200
Accenture	Strategy and Consulting	699 000
Enel	Electric Utility	66 279
Danone	Beverage and food	102 449
Nestlé	Beverage and food	276 000
Whirlpool EU	Home appliances	78 000
L'Oréal	Chemical	85 087
Intesa Sanpaolo	Bank	105 183
Groupe Deutsche Bank	Bank	84 659
Vodafone	Telecommunication	96 506
AstraZeneca	Pharmaceutical	76 100
Pandora Group	Jewelry	22 336

*Developed by the author, with reference to the European Platform of Diversity Charters<sup>103</sup>.*

### 3.2.2 Methodology and Framework

The analysis conducted is based on the CSR reporting published by organizations in the sample. The aim is to understand through quantitative and qualitative indicators which are the evidences from the strategy applied. For this purpose, the framework developed considers indicators linked to the Diversity, taken from the literature viewed (chapter 1 and 2), the SDGs indicators and best practices' indicators.

The approach used consist in applying the framework to the companies' cases, considering their consolidated corporate non-financial reporting and the information published in the website in years 2020 and 2021. The first control consists in understanding if the indicator

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<sup>103</sup> From the website of the EU Platform for Diversity Charters, <https://www.eudiversity2022.eu/european-diversity-month-2022/eu-platform-of-diversity-charters/>

is communicated by the company as a performance linked to Diversity Management practice, secondly if there is an explicit target fixed for the future to accomplish the indicator.

The framework is divided into some sections, and for every indicator the purpose is to see how many companies in the sample accomplish to it. The first section is involved in the definition about the type of strategy used by organizations in order to manage Diversity; secondly, if there are references to better results, actions taken or target fixed to improve Inclusion and satisfaction in the workplace; the other section is focused in the mensuration of types of diversity present in the organizations, if there is evidence of it; the section dedicated to the Leadership commitment is prevalently dedicated to the presence of Gender diversification in the higher levels of the organization, indicators easier to collect and measure differently to other type of diversity; also the availability of surveys in order to measure between employees the perception about leadership commitment is interesting to know if there is effectively an interest from Leadership and top Management around Diversity topic. Some stakeholders' perceptions indicators could be useful in the CSR reporting to understand if the organization is communicating in the right way, attracting the interest of external subjects; Training section in the framework goes to see if organizations give evidence about the attraction of talents with different characteristics, the development of diversity and inclusion programs, and the availability of meeting to discuss and promote Diversity. The last section considers some indicators which could be reported in the CSR reporting by the organizations, like the increase in productivity due to higher team or group performance, the accomplishment of SDGs or the better financial performance thanks to the Diversity Management strategy. This last indicator, as seen previously, could be counterproductive if used in this context, giving a bad perception about Diversity practices, due to the feel of exploitation that employees could face.

### **Approach to Diversity in the strategy**

Diversity, Equity and Inclusion (DEI) strategy

Social Sustainability

Diversity strategy

### **Inclusion and satisfaction**

Employee retention

Employee advancement

Equal pay and treatment

Less internal social issues (ex. Conflicts)

Good gender pays equality index

Employee engagement rate

Benefits to employees due to higher performance

Benefits to employees affected by particular conditions

Positive score on inclusivity

### **Workforce diversity**

Woman employed

Employees representing different ages

Employees with disabilities

Employees presenting particular characteristics (ex. Refugees)

Multicultural employees

### **Leadership Commitment**

Woman employed in the management

Women employed in executive committees

Women employed in leadership

Surveys linked to leadership commitment on diversity (positive scores)

Presence of a Diversity Committee

### **Stakeholders' perception evidences**

Recognition in indices linked to diversity and inclusion

Nominations in research publications and articles

### **Training**

Attraction of new talents with cultural and other types of diversity

Diversity and inclusion training programs

Events and seminars organized to discuss and promote Diversity topics

### **Other performances and evidences in the communication**

Higher team and/or individuals' productivity

References to SDGs

References to financial and economic performance

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*Framework developed by the author.*

### 3.2.3 Analysis from business cases

Starting from the approach used by organizations in order to develop the Diversity strategy performance and to report it, there are three types of approaches, the DEI strategy (chapter 2), a general Social Sustainability strategy and a Diversity Strategy.

The difference is that, while the simple Diversity Management is usually oriented only to the valorization of Diversity and the promotion of it in the workplace<sup>104</sup>, the DEI strategy goes beyond the simple Diversity Management, giving an important role to Inclusion, to the creation of a workplace where everyone is supported and performs the best for itself and the teamwork<sup>105</sup>.

On the other hand, other companies decide to take a Social Sustainability approach, managing Diversity and communicating such type of indicators, considering the overall Social Sustainability approach and specifically the social ethics and transparency, trying to reach a good and positive social environment, thanks to the interest towards all individuals and employees, so not specifically orientating to the Diversity Management only.

<b>Approach to Diversity in the strategy</b>	<b>Companies</b>
Diversity, Equity and Inclusion (DEI) strategy	8
Social Sustainability	5
Diversity strategy	0

*Data collected by the author, from companies' non-financial reports.*

Considering the sample, eight companies use an approach oriented to Diversity, Equity and Inclusion, specifically committed to the theme of Inclusion in the workplace, none of them is orientated only to Diversity, without considering the Inclusion in the communication; while six have a general approach to Social Sustainability in the communication, including

<sup>104</sup> Sabharwal M., 2014, Is Diversity Management sufficient? Organizational Inclusion to Further Performance, Public Personnel Management, pp. 198-212.

<sup>105</sup> Pless N. and Maak T., 2004, Building an inclusive diversity culture: Principles, processes and practice. Journal of Business Ethics, pp 129-147.



in the communication not specifically Diversity but the respect of human rights, including Diversity, and Ethics in the workplace.

In particular Enel, Danone, Whirlpool, Vodafone and AstraZeneca have an approach in the communication less specifically focused to Diversity than others, but oriented to sustainability and ethics towards individuals.

Inclusion and satisfaction	Performance	Targets
Employee retention	7	0
Employee advancement	3	3
Equal pay and treatment	10	7
Less internal social issues (ex. Conflicts)	2	0
Good gender pays equality index	5	4
Employee engagement rate	3	1
Benefits to employees due to higher performance	3	1
Benefits to employees affected by particular conditions	5	1
Positive score on inclusivity	7	0

*Data collected by the author, from companies' non-financial reports.*

Considering the section about employee's inclusion and satisfaction the evidence is that 77% of organizations communicate good results in term of equal pay and treatment, seven of them have fixed some specific targets in particular faced to have greater payment transparency and to disclose more accurate information.

Seven companies communicate good performance in terms of employee retention, with score between 70 and 95%. AstraZeneca, Danone and Enel have the higher rates, respectively 95%, 86% and 90% and they are considered higher with respect to the past thanks to a better commitment on employees' well-being and inclusion in the workplace.

Only three companies communicate good performance in term of employee advancement, disclosing information about the type of advancements and linking it to the diversity topic; in particular as consequence of projects oriented to talent development and female leadership acceleration as in the case of Intesa Sanpaolo, or the Open Feedback Evaluation for every employee in Enel. Three companies have fixed some targets faced to develop

transparent plan of advancement or talent acceleration program in order to permit advancements of career to better talents.

Two companies have communicated good performance in terms of social issues' diminution, in particular Danone and Pandora have reported a rate of 0 in non-conformity to discriminatory policies, evidencing the good application of Ethic Code developed.

Five companies have reported good Gender pays equality index, around 0, and 4 have fixed some targets to reach the same result.

Three companies, Sodexo, Vodafone and AstraZeneca have communicated good employee engagement rates around 80% and above, and one of them, Sodexo have fixed a specific target to increase it before 2025.

Three companies have disclosed specific performance in term of benefits given to employees thanks to their results, while five companies have distributed benefits to employees affected by particular conditions, specifically to empower woman in vulnerable conditions through training and dedicated programs, like the case of Sodexo, parental benefits and support.

Seven companies present good score on inclusivity thanks to dedicated surveys to employees which have determinate a scores between 71% and 87%, in the case of Danone.

<b>Workforce diversity</b>	<b>Performance</b>	<b>Targets</b>
Woman employed	12	4
Employees representing different ages	6	4
Employees with disabilities	10	4
Employees presenting particular characteristics (ex. Refugees)	3	0
Multicultural employees	5	1

*Data collected by the author, from companies' non-financial reports.*

Considering the employment of diverse workforce, about every organization communicate good performance in term of woman employment, with high percentages of female representation like the 56% in Sodexo, or the 69% in L'Oréal; while some of them report better results considered in respect to the past, thanks to the new practices which have

increased the recruitment of women in new employment positions. Four companies have fixed some targets in order to reach specific percentage of women employed, around 50%, to increase the recruitment of women and the objective like the case of Sodexo, to be committed in only countries with gender balance in their management position.

Six companies disclose the distribution of employees divided between different age ranges and demonstrating a good distribution of ages between the workforce.

Ten companies communicate good results considering inclusion of disability, some of them have received specific awards, like the Disability Equality Index Award and others have implemented politics to support the inclusion of disable people like the creation of a Disability Manager as the case of Intesa Sanpaolo, the promotion of events like the Day of People with disabilities in Vodafone, a specific project in Enel to give value to disability. Some of these companies have some targets to reach thanks to some partnership and the creation of groups of support to analyze needs and specific issues to be solved in order to reach a perfect inclusion.

Three companies have reported results about employees presenting particular characteristics, in one case the recruitment of refugees, secondly the employment of individuals from underprivileged communities, and the involvement of students with socio-economics barriers, affecting the possible future career.

Finally, five companies have communicated performance in term of multicultural employees, presenting good percentages of employees' diversification for ethnicity and employing ethnic minorities.

<b>Leadership Commitment</b>	<b>Performance</b>	<b>Target</b>
Woman employed in the management	11	4
Women employed in executive committees	7	4
Women employed in leadership	8	4
Surveys linked to leadership commitment on Diversity	1	0
Presence of a Diversity Committee	2	0

*Data collected by the author, from companies' non-financial reports.*

The 85% of companies report good results in terms of women employed in management positions, live the 59% in L’Oréal, the 51% in Danone, and the 49% in Coca Cola. Respectively seven and eight companies communicate instead good results in terms of women employed in executive committees and in the leadership. On the other hand, four organizations have fixed specific target to achieve future performance in these three indicators.

Only one company, Accenture, has reported score given by surveys to understand the commitment of leadership in Diversity practices, and it has reported a result around 55%.

In two companies there is the presence of Specific Diversity Committee, like in Deutsche Bank Groupe with a so-called Manager Toolkit, which collect expectations and actions with a focus on inclusive decision-making; and the case of Whirlpool with the establishment of Regional Inclusion & Diversity Councils.

<b>Stakeholders’ perception evidences</b>	<b>Companies</b>
Recognition in indices linked to diversity and inclusion	11
Nominations in research publications and articles	7

*Data collected by the author, from companies’ non-financial reports.*

Eleven companies have been recognized, and have communicated it in their non-financial statements, in specific indices for Diversity and Inclusion, while seven companies reported the nomination in research articles and publications.

<b>Training</b>	<b>Performance</b>	<b>Targets</b>
Attraction of new talents with cultural and other types of diversity	3	2
Events and seminaries organized to discuss and promote Diversity topics	4	5
Events and seminaries to discuss and promote Diversity topics	13	5

*Data collected by the author, from companies’ non-financial reports.*

Considering need of training employees on Diversity and Inclusion, three companies have reported good performance in attracting new diverse talents thanks to specific programs, like the case of Sodexo, attracting talents with socio economic difficulties like refugees or different for ethnicity; AstraZeneca and Coca Cola have implemented a New Talent Acquisition strategy to identify and recruit diverse talent.

Four companies have developed successfully training programs oriented to individuals' inclusion, like the case of Sodexo with programs and training for vulnerable women; in Coca Cola 100% of employees have access to a DEI curriculum; L'Oréal has developed a dedicated training session involving 65 000 employees; and in AstraZeneca 100% of employees are trained on the Code of Ethics. Five companies aim to achieve new results in these terms, like the case of Nestlé which has fixed a target of 90% of trained people on Diversity and Inclusion, and the target of AstraZeneca to maintain the same rate in the next years.

All the companies have reported the promotion of events and seminaries to sensitize employees and stakeholders to Diversity Management practices developed.

Other performances and evidences in the communication	Companies
Higher team and/or individuals' productivity	0
References to SDGs	13
References to financial and economic performance	0

*Data collected by the author, from companies' non-financial reports.*

*None company has reported in the non-financial statements higher team or individuals' productivity, nor specific financial and economic performance linked to the Diversity Management Strategy. This probably due to the fact that this type of performance could give a bad reputation to the strategy, underling between stakeholders a feeling of exploitation of people inside the organization to reach benefits to the employer.*

All the organizations have made reference to SDGs in the reporting of Diversity and Inclusion goals, linking every decision to some specific goals and indicators.

### 3.3 Results and considerations from the research

The following table synthetize what companies in the sample have reported for the different indicators in the framework. Organizations communicate both quantitative data, like the scores of employee engagement represented in percentage, and qualitative data, like the development of programs to recruit employees on the basis of specific Diversity and Inclusion Programs.

Inclusion and satisfaction	Companies	Targets
<b>Employee retention</b>	Companies report percentage equal to 83.1%, 95%, 86%, 70%, 80%, 90%, 70%.	
<b>Employee advancement</b>	Open Feedback evaluation practices for employees; Talent development and female leadership acceleration programs; Talents' acceleration programs.	Greater transparency; Adoption of a talent acceleration program.
<b>Equal pay</b>	Payment equity analysis and transparency; Accomplishment to Code of Conduct; Good score in Corporate Equality Index; Annual reporting for transparency on equal pay.	Equality in term of payment for 2025; Greater payment transparency between 2025
<b>Less internal social issues</b>	Communication of 0% in non-conformities to discrimination; Fewer social issues determined by discriminatory behaviors, reported by auditors.	
<b>Good gender Pay equality index</b>	Zero Gender Pay Gap Award from Bloomberg; 3.2% of Gender Pay Gap in one case; Effort to achieve zero Gender Pay equality recognized by Bloomberg.	Balance between 2025; Effort to achieve Gender Pay Gap recognition.
<b>Employee engagement rate</b>	Companies report rate equal to 78.3%, 77%, 85%.	Better result in term of percentage between 2025
<b>Benefits to employees due to higher performance</b>	80% of employees have received benefits due to performance; Open feedback evaluation program; Higher Transparency considering diversity.	Commitment to evaluate fairly performance and distribute incentives.

<b>Benefits to employees affected by particular conditions</b>	Programs and training for vulnerable women to empower them; Parental benefits and support; Benefits to students with socio-economic barriers.	Empowerment of women living precarious conditions;
<b>Positive score on inclusivity</b>	Companies communicate rate of inclusion given by surveys equal to 83.4%; 87%; 79%; 71%; 83%; 83%;85%.	
<b>Workforce diversity</b>		
<b>Woman employed</b>	Women employed by organizations are equal to 56%; 39.8%; 22.5%; 31%; 38.6%; 41%; 69%; 53%; 46.4%; 40%; 50.5% on the total.	50% of women employed; 42% new women recruited; Commitment to recruit more women to increase their employment
<b>Employees representing different ages</b>	Employees of different ages, distributed equally; Senior individuals over 50 hired; Young students hired.	
<b>Employees with disabilities</b>	Value for Disability programs; Partnership with Groups and Associations (ex. The Valuable 500); Disability Equality Index 100% and 80% Score; Day of People with Disabilities; Disability Manager; Analysis and surveys to improve accessibility in the workplace.	Analysis to improve Disability inclusion; Cooperation in order to improve accessibility.
<b>Employees presenting particular characteristics</b>	Recruitment of refugees; Recruitment of people from underprivileged communities; Employment of students with socio economic barriers.	
<b>Multicultural employees</b>	High differentiation in workforce ethnicity; Ethnic minorities employed; 30.6% of Minorities representation.	Collection and disclosure of more data linked to ethnicity; Employment of black people and minorities between 2025 and 2030.
<b>Leadership Commitment</b>		

<b>Woman employed in the management</b>	Companies report different percentages in term of women in management equal to: 44%; 49%; 18.4%; 22.6%; 51%; 43.8%; 33%; 59%; 40%; 32%.	100% countries with gender balance in their management population; Improvement the representation respect to the previous years; Gender balance.
<b>Women employed in executive committees</b>	Companies communicate different rates equal to 33%; 27.7%; 15.7%; 43%; 25%; 32%; 29%.	Gender balance; Improvement rates respect to the previous year.
<b>Women employed in leadership</b>	40%; 34%; 41%; 25,6%; 25.7%; 55%; 30%	Gender balance; Improve percentages with respect to the previous year.
<b>Surveys linked to leadership commitment on diversity</b>	55% leadership commitment on diversity, asking to employees.	
<b>Presence of a Diversity Committee</b>	Manager Toolkit collecting expectations and actions with a focus on inclusive decision-making; Established Regional Inclusion & Diversity Councils.	
<b>Stakeholders' perception evidences</b>		
<b>Recognition in indices linked to diversity and inclusion</b>	Top 50 companies for Diversity, Hall of fame; Gender Equality & Diversity for European & International Standard (GEEIS); Bloomberg Gender-Equality Index; IN's Disability Equality index; Refinitiv Diversity and Inclusion Index; Corporate Equality Index by Human Rights Campaign.	
<b>Nominations in research publications and articles</b>	Hampton-Alexander Review for representation of women; Fortune most powerful women; Forbes diversity in the workplace.	
<b>Training</b>		



<b>Attraction of new talents with cultural and other types of diversity</b>	Recruitment of refugees; Recruitment of people from underprivileged communities; Employment of students with socio economic barriers; New Talent Acquisition strategies to identify and recruit diverse talent.	Recruitment of employees on the basis of specific DI programs and curriculum.
<b>Diversity and Inclusion training programs</b>	Programs and training to include vulnerable women; 100% employees have access to DEI curriculum; 90% employees trained on DI; Continuous training sessions.	Maintain 100% of active employees trained on the Code of Ethics 2025; 100% engagement of employees on training sessions;
<b>Events and seminars organized to discuss and promote Diversity topics</b>	Podcasts focused on human rights, fairness, inclusion and well-being; Events to sensitize to inclusion; Seminaries to develop inclusion and acceptance of diversity.	
<b>Other performances</b>		
<b>Higher team and/or individuals' productivity</b>		
<b>References to SDGs</b>	All organization report accomplishment to SDGs in their DI practices.	
<b>References to financial and economic performance</b>		

*Table developed by the author; all data are collected from companies' non-financial reports (2020).*

Companies use an approach to Diversity linked not only to increase the workforce diversity, but also to include individuals in the team and in the workplace.

They appear more committed in the disclosure of equal pay and treatment performance; the employment of individuals with disabilities and women; and women employed in management. They also have been recognized in different indices connected to Diversity, Inclusion and Equality performance, reporting it in their non-financial statements. In these indicators the 85%-90% of organizations reported good results.

All the organizations are involved in the promotions and organizations of initiative and events to sensitize to the theme of Diversity and Inclusion, and they are all making reference to SDGs in their reporting of Diversity goals and practices.

The evidence is that, despite the communication of good performance in some indicators, companies have achieved different results, with wide ranges of results in some cases. This is due prevalently to different starting levels of companies developing the strategies, which have adapted targets to their reality in order to easily achieve them.

Pandora Group for example has started to develop a specific strategy in 2021, while Coca Cola has evidenced the need to disclose and collect more data in the next years; Vodafone has decided to collect more information about employed ethnicity and culture in order to better orientate its strategy and to disclose more data.

For this reason, a company could report a good performance with the 25.7% of women employed in leadership, if its target was 25% and it was higher with respect to the previous year, while another company as reported a performance equal to 55%.

What is relevant for the analysis is that companies are in any case committed to better perform and to achieve new targets.

Moreover, the evidence is that companies concentrate their Diversity and Inclusion strategy in specific indicators which are different between them. Coca Cola for example is committed to the diversification of workforce on the basis of ethnicity and culture, due to the innovation and creativity they could exploit thanks to it; while Sodexo is particularly committed in the empowerment and employment of women, especially affected by vulnerable conditions; Intesa Sanpaolo instead is particularly focused on the inclusion of disability, with a presence of a Disability Manager and a Group in order to collect and accomplish exigencies, creating accessibility and inclusion.

Another evidence is that companies in many cases do not communicate specific targets and results to stakeholders in their non-financial reports. This makes difficult the comparison of results and the verification about validity of results achieved. They are more propense to communicate initiatives and programs linked to Diversity and Inclusion, and not specific

quantitative data representing for example the distribution of benefits on the basis results and considering demographic elements, or the disclose of data collected through surveys.

This analysis needs also some further considerations due to some limitations.

First of all, the companies' sample is limited, due to the fact that qualitative information in some cases is difficult to extract and are easier to be compared between a limited number of companies, which has some similar characteristics.

Then, as seen, the evidence is that not all the companies communicate good performance in some indicators for two reasons: they could not give particular importance to them in the communication; or differently, they have not achieved the target they have fixed. In any case, this do not necessarily implicate the scarcity of commitment in the Diversity and Inclusion topic by the organization, but only the necessity of a stronger effort to achieve the result.

Secondly, considering Groups and Multinationals, results could not be effectively uniform between subsidiaries. The information considered in the analysis are collected from consolidated statements, which do not consider differences between countries and subsidiaries, which could perform differently.

Another consideration needed, is that qualitative data like the development of Talent acceleration programs, or the collection of data about employees' inclusion through surveys, are difficult to evaluate and compare. They could evidence the company's commitment, but they are relative to the specific context and the way in which they are conducted, while they do not evaluate the effective effort fulfilled by the organization.

Finally, a limitation which could occur in the framework application is linked to the consolidated reporting, and arise from the possibility that companies exclude some countries or subsidiaries in the reporting, due to bad performance with respect to the average performance in the group.

In the sample of businesses considered, there is no evidence of this issue, but only in the case of Vodafone there are some countries which are excluded from the reporting; they are in particular Netherlands, Kenya, Australia and India. In any case, it is specified in the non-financial reporting, that the exclusion is due to the reason that the company has non-

controlled operations in these countries, so in this case, it is not possible to measure efficiently the correct commitment of Vodafone in the countries, linked to the Diversity and Inclusion Management. So, the choice appears not connected to the necessity to hide some negative performance which could be detrimental for the consolidated performance.

## Conclusion

Diversity today is a challenge, but also an important opportunity and resource for organizations and society. It is a resource in terms of Creativity and Innovation, Talents and Stakeholders attraction. The objective around diversity in the workplace should be the one to obtain the higher value possible from diversity, creating synergies which could benefit both organizations and individuals.

Organizations could respond in different ways to Diversity, giving it space and valuing it, but also not considering it or in the worst case, discriminating it and avoiding it.

When companies decide to value differences in the workplace decide also to admit challenges and efforts which could give many advantages like the higher creativity or the higher competitiveness in the market, but also which could cause difficulties in terms of human resources management, discriminatory behaviors, social issues. For this reason, the valorization of Diversity should be followed by a company strategy which require resources and responsibility, faced to promote Diversity between individuals, training employees and developing specific programs which include differences, for example in the recruitment of new talents.

On the other side, when companies decide to not give space to Diversity, the result is an easier path in terms of human resources management and in the development of a uniform company culture, but at the same time literature agreed with the fact that in the long run individuals appear not satisfy and not engaged in the team work and activity. Moreover, companies acting in this way do not accomplish to the Legitimacy Theory, stating that companies in order to continue to exist and to be competitive in the market, must act congruently with values and norms proper of the society in which they operate. In this case a monocultural company could exist in countries where society do not give space to differences, but it is not possible in societies where difference and inclusiveness are fundamental values.

Diversity on the other hand could be expanded to themes like Inclusion and Ethics, giving the basis for a wide discussion and to the organizations' commitment to social sustainability programs and goals which could enhance company credibility and reputation, giving on the

other hand an important contribution to achieve social sustainable goals taking an essential role in the society progress.

Companies in this sense are seen as social groups, mirrors of the society, which should make efforts in order to create a positive workplace, meeting employees needs through accessibility and inclusion. Organizations produce externalities which have an important impact on the community and the society where they operate. Developing positive externalities, organizations enhance and improve the context in which they operate, obtaining benefits also to themselves. The request from stakeholders about sustainable practices and about Corporate Social Responsibility is always more urgent, determining a higher effort from organizations in the last years, in order to satisfy stakeholders and to be competitive in the market.

But despite the always more significant interest around Diversity Management theme in the workplace, there is a common lack of regulation around it, and moreover there are not specific practices to develop in order to achieve common goals. Diversity, and the communication about companies' commitment and responsibility around the theme, are in many cases remanded to organizations, which have developed practices and strategies to achieve results through Diversity Management.

Companies in particular have tried to adopt common indicators to address their activity and their commitment. These indicators are linked to Sustainable Development Goals, developed by United Nations, used by the most part of organizations all over the world in their non-financial reports.

Through the accomplishment of Sustainable Development Goals, companies have demonstrated in the years to be able to achieve those results which institutions and governments have not achieved, determining a fundamental contribution in terms of social progress.

Diversity Management though the CSR has underlined the necessity to go over economic and financial performance, giving a principal role to non-financial performance like the employee's engagement, or the relative rate of retention. Only giving space to individuals,

valuing their personal characteristics and their differences, companies are really able to obtain competitiveness and to respond to the market and stakeholders' requests.

In this sense the communication, has discussed in the second chapter of this thesis, is determinant. The need of a good communication strategy around the theme of Diversity and Inclusion is underlined by the literature, in order not only to attract customers, talents and investors, enhancing company's reputation, but also to avoid the creation of paradoxes which could link the commitment on Diversity Management theme, to the exploitation of individuals' personal features, to comply employer economic interests.

In this sense it is important to communicate adequate indicators and performance, which demonstrate the real responsibility given by the organization to its social impact.

My research through this thesis has also evidenced the difficulty to measure effective results achieved by organizations, due to the lack of common indicators and the scarcity of quantitative information given by companies. In any case, it is emerged a tangible advancement with respect to the past, due to the higher number of companies reporting voluntary their social responsibility and in some case to the partnership with institutions in order to achieve more efficacy social results like inclusiveness, equality and social progress. In particular a good solution could be the use of common indicators, less generic than SDGs, useful to measure companies' practices and goals, and to compare them, giving a better representation about their commitment.

The need of alignment in the communication of Diversity performance and the use of common KPI and target should be necessary to have a more uniform vision on the topic. Companies, as demonstrated through the sample, communicate differently and report wide range of results, not always uniform. This is the consequence of different starting level and the result of different landscapes which give not uniformity to Diversity Management practices and do not permit an effective comparison between companies. Furthermore, in some cases organizations could assess targets easy to achieve, communicating the accomplishment to the target, but without obtaining a really good performance.

Another evidence, despite limitations occurred in the research, is that companies appear higher committed on the Gender Diversity theme, demonstrating good performance in

term of women employment and empowerment; those companies which for some reasons are not giving enough space to women, especially in higher positions, are in any case engaged to act better in the future.

Gender Diversity interest could be the consequence of the strong request from society and stakeholders for women employment and equal possibility in terms of career. This has made necessary higher transparency and commitment for what concerns women rights and fairness in their treatment.

Another point emerged from the research is in some cases the lack of alignment between subsidiaries and multinationals located in different countries. Consolidated reporting often does not give real evidence about overall performance but is concentrated on singular performance which are not common to all the subsidiaries or companies around the world, without following a common line in all of them. In this way, results appear not really representative about organization strategy and performance, but concentrated only around the subsidiary which act better, giving credit to all the group. A good solution in this case could be a Corporate Social Responsibility reporting, which give evidence about results achieved by the different countries or subsidiaries, with common target to achieve from the overall organization.

Furthermore, in the social responsibility reporting also linked to Diversity and Inclusion, companies use largely qualitative information al less quantitative data. This is good in terms of practices explanation, but not easily to measure and compare when assessing targets and performance achieved, so it could be a limit in the communication, giving not a real and exhaustive representation about company commitment.

Finally, in the development of the Diversity strategy companies should be not strongly concentrated on financial performance due to the fact that Diversity Management is especially a human resource strategy, not properly a strategy linked to financial resources. In this case the strategy and the efforts should be concentrated in the human capital, giving space first of all to individuals needs and talents, which are one of the most important resources in an organization, thanks to their background, their skills and their creativity.



Financial and economic performance, as underlined by the literature, are the consequence of a good Diversity strategy concentrated first of all in the human capital, trying to develop inclusiveness, to create engagement and differentiating team work on the basis of talents and backgrounds.

Not only the acceptance, but the valorization of differences in the workplace is a good starting point to eliminate barriers which could compromise organizational development, progress and innovation. Talents and creativity in particular, which are fundamental to permit the company competitiveness, are not limited by barriers but, on the contrary, they benefit of an open context in which companies can give space to new talents and to innovative ideas, which are possible only with the openness to new challenges, visions and differences.

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