Chapter-1

Managing Cultural Diversity-An Introduction

Gone are the days, when the trading activities of a business were restricted to the boundaries of a country. Now, the things have changed and the people too. With the advent of liberalization, privatization and globalization, the entire market has opened up with lots of avenues and opportunities, which has further resulted in increase in competition.

Because of globalization, the interdependence between countries has increased manifold. To survive in a globally competitive environment organizations now require to trade at international level. But, at the same time, it is worth noting that the organizations need to map the culture, if they want to get success in their trading at international level.

An organization is not just formed with the four sided walls but, with the people working therein i.e. the employees and the people dealing with i.e. the customers, suppliers etc. And, that too with the employees – who are dissimilar not only because of their different physical appearances but also of their different backgrounds, gender, age, qualification, taste, preference, experience, origin, caste, religion, designation, caste, culture etc. All this is nothing, but what is called as “diversity.”

In today’s era, an organization is successful only if, it has the stock of diverse workforce to meet the varied demands of their diverse customers. But, at the same time, one can’t ignore the fact that, an organization i.e. a place where there exists multicultural workforce; chances of misunderstandings, ego-clashes, prejudice, miscommunication etc. are quite usual. So, the managers of the organization need to learn the ways, through which these issues can be managed or handled properly. Thus, the need of the hour is to train the managers on multicultural perspectives, not only to effectively interact with the cross-border customers and suppliers, but also with their own employees. This is because; at last they are the employees who have to serve the diverse customers.

There is a dire need to know more about workforce diversity, which is deeper than what is seen at the surface level. This can give managers an understanding as to
what can go wrong in a diverse team. The 1990’s marked the development of a new trend in the form of workforce diversity mainly because of the liberalization and globalization of markets (Jain and Verma, 1996).

Today’s managers to be successful should be well versed with the various cultural beliefs, values, norms etc. As the awareness of the culture can greatly ease the problem of managing a diverse workforce in today’s organizations, which are now represented by people from different cultures.

This Chapter begins with a brief discussion about the concept of culture and then unfolds about the features and dimensions of diversity. This is followed by a brief outline about cultural diversity- its features, importance, challenges and benefits. Afterwards, concepts of multicultural organization, diversity management, and cultural diversity management have been explained in detail. And, in the end, a brief description about IT and ITeS Companies has also been provided.

1.1 Culture

The word ‘Culture’ comes from the Latin word ‘Cultura’ which is related to cult or worship or civilization. In regard to International HRM, culture is acquired knowledge that people use to interpret experience and generate social behaviour. (Joynt and Warner, 1996)

Different authors have different opinions about the term ‘culture’. Some of which, are mentioned below:

- **Coakley (2007),** “Culture consists of the ways of life that people create as they participate in a group or society.”
- **J.W. Salacuse (1998)** defines culture, “as the socially transmitted behaviour patterns, norms, beliefs and values of a given community.”
- **K. Avruch (1998),** “Culture is a derivative of individual experience, something learned or created by individuals themselves or passed on to them socially by contemporaries or ancestors.”
J. Stephen Carroll and Martin J. Gannon (1997) define culture as, “a patterned way of thinking, feeling, and reacting that exists within a particular group, organization, profession, sub-group of a society, nation, or a group of nations.”

Lederach (1995), “Culture is the shared knowledge and schemes created by a set of people for perceiving, interpreting, expressing, and responding to the social realities around them.”

Gudykunst and Kim (1992), “Culture interprets the world and helps us to know how to behave.”

The Dutch Scholar Hofstede (1984) defines culture as, “The collective programming of the mind which distinguishes the members of one category of people from another.”

Kroeber and Kluckhohn (1952), “Culture consists of patterns, explicit and implicit, of and for behavior acquired and transmitted by symbols, constituting the distinctive achievements of human groups, including their embodiment in artifacts; the essential core of the culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, and on the other, as conditioning elements of further action.”

Clyde Kluckhohn and W.H Kelly (1945) define culture as, “all the historically created designs for living, explicit and implicit, rational, irrational, and non-rational, which exist at any given time as potential guides for the behaviour of men.”

Edward Tylor (1871) defines culture as, “that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man, as a member of society.”

Thus, it can be concluded that, Culture is basically a collection of ideas, values, assumptions etc. which differentiate a person from another; which can be passed from one generation to another; and thereby help an individual to understand as to how he/she should act in a society.
1.1.1 Features of Culture

The salient features of culture are as follows:

- **Dynamic**: Culture is something which undergoes a change; though it may be slow but usually it is constant.

- **Learnt**: Culture is not a hereditary phenomenon. Rather, a person needs to learn it by interacting with one’s environment.

- **Non-uniform**: Cultural constituents like rituals, ideas, moral values, beliefs etc., differ considerably i.e. they are different in different sections of the society. Moreover, they change with time.

- **Patterned**: Culture is integrated. A change in one part obviously will bring a change in the other.

- **Social**: Culture is an outcome of the society.

- **Shared**: Culture is something which is shared by the members of an organization.

- **Transferable**: Culture is transmitted from one age group to another.

1.1.2 Dimensions of Culture

One need not to give a second thought to say that the culture affects the organization, or the success or failure of an organization is affected to a greater extent by the cultural differences of the workforce working in, and the customers/consumers working with.

Various anthropologists, sociologists and experts of the management have put forward their views on culture in the form of the models described below:

(a) Edward Hall and Mildred Hall Model

(b) Florence Kluckhohn and Fred Strodtbeck Model

(c) Geert Hofstede Model

(d) Fons Trompenaars Model

(e) GLOBE(Global Leader and Organizational Behaviour Effectiveness) Project
(a) **Edward Hall and Mildred Hall Model**

Anthropologist Edward Hall and his wife Mildred Hall based on their corporate experience and various qualitative studies have described the following six dimensions of culture:

(i) **Language of Time**

(ii) **Language of Space**

(iii) **Language of things**

(iv) **Language of Friendship**

(v) **Language of agreements**

(vi) **High-context and Low-context cultures**

(i) **Language of Time**: It is further segregated into two parts viz., Monochronic culture or M-time and Polychronic culture or P-time. The view of M-time culture is that time is as precious as money, so should not be wasted at all. Therefore, more priority is given to time as compared to people. People of M-time cultures are quite punctual; may it be a meeting, appointment, or any social gathering. On the other hand, more importance is given to people or human relationships than time by Polychronic cultures.

(ii) **Language of Space**: It is also known by the term proxemics. Generally, the most important person has the biggest office. But, at the same time, the use of personal space also differs across cultures.

(iii) **Language of Things**: This dimension of culture gives emphasis on the possession of material things by the people of a culture.

(iv) **Language of Friendship**: This dimension describes the approach of the people towards making friends. That is, whether, the people of a culture make friends easily and also whether they keep their friendships for long or they are broken easily and frequently. Every culture normally doesn’t believe in responding to friendships and relationships with the same degree of emotional intensity. At times, the privacy of the individual and his/her self-interest becomes more important than others.
(v)  *Language of Agreements*: The people of some countries or cultures prefer to have everything in black and white especially, the agreements in particular. Whereas, some cultures carries just the opposite approach.

(vi)  *High-context and Low-context cultures*: The communication in case of high-context cultures is implicit and thus, more emphasis is provided on the interpretation of the context rather than on the words. Most of the things are left unsaid for the receiver to understand on its own, by interpreting the words according to the context. On the contrary, the communication is explicit in case of low-context cultures and thus, the main importance is given to the words and the receiver is suppose to understand the message through the words used in the message without giving any heed to the context.

The above said dimensions being obtained in an inclusive way were not claimed to be complete.

(b)  **Florence Kluckhohn and Fred Strodbeck Model**

Kluckhohn and Strodbeck put forward six dimensions of culture based on problems that all societies face.

(i)  What does a person think about the basic nature and beliefs about the other person?

(ii)  What does a person think about his rights and responsibilities towards nature?

(iii)  What is the duty of a person towards others?

(iv)  What is the key form of activity in a society?

(v)  How is space considered in a business organization?

(vi)  What is considered more important by the people -past, present or future?

(c)  **Geert Hofstede Model**

It was the first major study in the field of cross-cultural comparative research. The Six well-known dimensions that Hofstede examined are:

(i)  Power Distance Index (PDI)

(ii)  Individualism versus Collectivism (IDV)
(iii) Masculinity versus Femininity (MAS)
(iv) Uncertainty avoidance Index (UAI)
(v) Long-term versus Short-term Orientation (LTO)
(vi) Indulgence versus Restraint (IND)

(i) **Power Distance Index [PDI]:** This dimension measures the level to which the less powerful workforce of the organization recognizes that there is an unequal distribution of power. The primary concern about this is how the society deals with the disparities among people.

(ii) **Individualism versus Collectivism (IDV):** Individualism indicates a loosely knit social network in which people give preference to themselves and their immediate family members. On the contrary, collectivism implies a tightly knit social framework in which people do believe in taking care of each other in the group in exchange for loyalty.

(iii) **Masculinity versus Femininity (MAS):** The values considered in case of masculinity are achievement, heroism, assertiveness and material reward for success. Whereas, values such as cooperation, humility, care for the weak etc. are included in the femininity aspect of this dimension.

(iv) **Uncertainty avoidance Index (UAI):** A low score or value on the uncertainty avoidance index represents that the managers and employees of the organization feel at home with regard to uncertain situations and therefore are more entrepreneurial, happy to take risks, and not very much dependent on formal rules and just the opposite in case of high score on the uncertainty avoidance index.

(v) **Long-term versus Short-term Normative Orientation (LTO):** People with short term orientation are normative thinkers and they show great respect towards traditional values. They believe in getting quick results. Whereas, people with a long – term orientation believe that truth depends to a great extent on situation, context and time. They are quite determined towards achieving results.

(vi) **Indulgence versus Restraint (IND):** A society which permits relatively free gratification of basic and natural human drives related to enjoying life and having fun represents ‘indulgence’. On the contrary, restraint stands for a society that
suppresses gratification of needs and controls it by making strict social norms or standards

(d) **Fons Trompenaars Model**

Trompenaars and Hampden- Turner conducted a survey with employees of various hierarchical levels in 1980’s and continued work for several decades. They classified culture along seven dimensions:

(i) *Universalism vs. Particularism*: It represents the standards through which relationships are measured.

(ii) *Individualism vs. Collectivism*: It measures the extent to which employees see themselves perform better as a community or as individuals.

(iii) *Neutral vs. Emotional*: Whether expressing of emotions is acceptable.

(iv) *Specific vs. Diffuse*: It indicates the degree to which responsibility is specifically assigned or the same is accepted in a diffused form.

(v) *Achievement vs. Ascription*: It represents the extent to which people need to prove themselves to get status as compared to status being simply offered to them.

(vi) *Sequential vs. Synchronous*: Whether the people believe in doing things one at a time or a number of them at a time.

(vii) *Inner-directed vs. Outer-directed*: It represents the approach of the people whether they are able to control the environment or they work with it.

(e) **GLOBE (Global Leader and Organizational Behaviour Effectiveness) PROJECT**

It was an international project conducted by R.J. House in 1991 with the help of 170 researchers from 62 countries. It measured nine dimensions of culture which are listed below:

(i) Performance Orientation: It represents the extent to which the society motivates and rewards the members of the group in case of improvement in the performance.
(ii) Uncertainty Avoidance: It reflects the degree to which the society, business or group tries to decrease the uncertainty with regard to future events, by relying on the rules, social norms etc.

(iii) Humane Orientation: It measures the extent to which the individuals are rewarded by the society for being generous, fair, caring, selfless and kind to others.

(iv) Institutional Collectivism: It reflects the extent to which the collective division of resources and collective actions are being rewarded and encouraged by the organizations.

(v) In-group Collectivism: It represents the extent to which the members express pride, loyalty in their organizations or families.

(vi) Gender Egalitarianism: It reflects the extent to which the gender inequality is minimized by the community.

(vii) Future Orientation: It represents the degree to which the employees of the organization engage themselves in future-oriented behaviours such as delaying indulgence, planning, and investing in the future.

(viii) Power distance: It indicates the extent to which equal distribution of power is expected by the members of the society.

(ix) Assertiveness: It represents the extent to which the employees exhibit self-confidence, and aggressiveness in their relationships with others.

Thus, it can be concluded that, no doubt there are different models as proposed by various anthropologist with regard to dimensions of culture, but the core thrust of all stresses on the same point i.e. culture is important, rather indispensable for an organization to understand to work effectively and efficiently.

1.2 Concept of Diversity

The concept of diversity includes two things viz. acceptance and respect. It means understanding that each individual is unique, and recognizing those individual differences (Patrick & Kumar, 2012, p. 1). These differences can be in regard to the dimensions such
as race, age, status, socio-economic status, physical abilities, religious beliefs etc. Thus, there is a need to explore these differences in a safe, positive, and nurturing environment.

Today the workforce is more diverse in terms of gender, race, ethnicity, national origin and comprises people who are different and share different attitudes, needs, desires, values and work behaviours (Rosen and Lovelace -1996). For an organization to be successful, the managers not only need to understand the cultural background – the employees come from, but also the degree of diversity they carry with them. Thus, the managers in public and private organizations need to understand, predict and manage this intriguing nature of the diverse workforce. Diversity is an important concept that needs careful understanding.

R. Roosevelt, Thomas (1990) was one of the first to bring attention to diversity management. Diversity is broadly a challenge for the organizations and therefore, needs to be handled carefully.

The term ‘workforce diversity’ or ‘diversity’ has been defined by various authors in a number of ways. Some of which are as follows:

- **Van Knippenberg and Schippers (2007)** define diversity as, “a characteristic of a social grouping (i.e., group, organization and society) that reflects the degree to which there are objective or subjective differences between people within the group without presuming the group members are necessarily aware of objective differences or that subjective differences are strongly related to more objective differences.”

- **Carrell (2006)** defines workforce diversity, “as the ways that people differ; which can affect a task or relationship within an organization such as age, gender, race, education, religion, and culture. It is the exploration of these differences in a safe, positive, and nurturing environment. It is about understanding each other and moving beyond simple tolerance to embracing and celebrating the rich dimensions of diversity contained within each individual within the organization.”

- **Kim, B.Y. (2006),** “Diversity can be regarded as the broad spectrum of variations that distinguish among the human resources of an organization. This multidimensional view of diversity assumes that humans differ from one another
along any number of dimensions. Whereas, some dimensions are highly visible (i.e. race and gender), others are less (i.e. values, personality, education, experience, sexual orientation and religion).”

- **Soni, Vidu (2000)** define workforce diversity as “the differences among people based on gender, race/ethnicity, age, religion, physical or mental disability, sexual orientation, and socio economic class.”

- **Wentling and Palma Rivas (2000)** define diversity as, “the co-existence of employees from various socio-cultural backgrounds within the company. Diversity includes cultural factors such as race, gender, age, colour, physical ability, ethnicity, etc. The broader view of diversity may include age, national origin, religion, disability, sexual orientation, values, ethnic culture, education, language, life style, beliefs, physical appearance and economic status.”

- **Jehn, Nortcraft and Neale (1999)** define diversity as, “the degree to which a workgroup or organization is heterogeneous with respect to personal and functional attributes.”

- **Kundu and Turan (1999)**, “Diverse workforce or diversity refers to the co-existence of people from various socio-cultural backgrounds within the company. Diversity includes cultural factors such as race, gender, age, colour, physical ability, ethnicity, etc.”

- **Griggs (1995)**, “Diversity includes all the ways in which people differ, and it encompasses all the different characteristics that make one individual or group different from another. It is all-inclusive and recognizes everyone and every group as part of the diversity that should be valued.”

Thus, after going through the above definitions on workforce diversity, it can be concluded that, diversity includes all those visible and non-visible factors that cause differences among people, e.g. gender, religion, physical disability, family status, age, race, hierarchical status, language, education, profession and life style etc.

The term diversity and workforce diversity have been used interchangeably/synonymously.
1.2.1 Features of Diversity

The features of workforce diversity are as follows:

- **Multidimensional:** Diversity is multidimensional; as it includes both visible and invisible dimensions of human being.
- **Inclusion:** Diversity not only includes differences but also similarities among people.
- **Pros and Cons:** Diversity if handled properly can prove to be a competitive advantage for an organization and if mismanaged, then it may result in the destruction of the organization as well.

1.2.2 Dimensions of Diversity

Different authors have different viewpoints in regard to the dimensions of diversity. Some of which have been described below:-

*Loden* explained the dimensions of diversity in the form of a concentric circle. Nine primary dimensions of diversity viz., class, gender, age, race, ethnicity, income, spiritual beliefs, sexuality and physical abilities and characteristics have been displayed in the innermost circle. These dimensions play a significant role in shaping an individual’s values, self image and identity, opportunities and perceptions of others. On the other hand, Secondary dimensions have been shown in the outer circle which includes eleven variables like work experience, communication style, cognitive style, political beliefs, education, geographic location, organization role and level, military experience, work style, first language, and family status.

![Figure 1.1 Primary and Secondary Dimensions of Diversity](http://www.loden.com/Web_Stuff/Dimensions.html) (Loden, 2016)
Griggs (1995) classified diversity into two dimensions namely Primary dimensions and Secondary dimensions. Primary dimensions of diversity indicate those human differences that are inborn and have an ongoing influence throughout the life of a person along with the impact on the early socialization. These six primary dimensions include (i) age, (ii) ethnicity, (iii) gender, (iv) physical abilities/qualities, (v) race, and (vi) sexual-orientation. These can’t be changed. On the contrary, the secondary dimensions of diversity are the ones that can be changed and thereby include, but are not restricted to educational background, geographical location, marital status, parental status, religious beliefs and work-experience etc.

*John Hopkins* explained the concept of diversity in the form of a wheel. The centre of the wheel indicates internal dimensions which are generally most permanent or visible. The outermost part of the wheel represents the dimensions which are acquired and undergo a change with the passage of time. The combination of all of these dimensions has an influence over the values, behaviours, beliefs, experience and expectations of a person.

![Figure 1.2 Diversity Wheel](image-url)

Source: Adapted from the Johns Hopkins University Diversity Leadership Council
1.3 Cultural Diversity

Any business that needs to be successful must have a borderless view and an unyielding commitment to ensure that cultural diversity is a part of its day-to-day business conduct. The views of different authors on cultural diversity are as follows:

- *Ivancevich and Gilbert (2000) and Nkomo and Cox (1996)*, “The concept of cultural diversity is both specific and contextual. Many contemporary researchers consider cultural diversity as an important difference distinguishing one individual from another, a description that covers a wide range of obvious and hidden qualities.”

- *Doherty and Chelladurai (1999)*, “Cultural diversity reflects the unique sets of values, beliefs, attitudes, and expectations, as well as language, symbols, customs, and behaviours, that an individual possess by virtue of sharing some common characteristic(s) with others.”

- *Cox (1994)* defines cultural diversity as, “identities such as race, ethnicity, nationality, religion, gender, and other dimensions of difference derived from membership in groups that are socio culturally distinct, that is, they collectively share certain norms, values or traditions that are different from those of other groups.”

From the aforementioned definitions, we can chalk out the following features of cultural diversity:-

1.3.1 Characteristics of Cultural Diversity

- Cultural diversity is a double-edged sword, which can prove to be a competitive advantage, if handled properly and a reason of conflict and dissatisfaction, if by mistake ignored in an organization.

- Cultural diversity is going beyond the concept of affirmative action or equal opportunity.

- Cultural diversity is not only limited to the primary dimensions (gender, age, race, ethnicity etc.) but also includes secondary dimensions (such as religion, personality differences, education etc.).
Cultural diversity is not just the responsibility of the top level executives or HR Managers; rather it is the responsibility of everyone, who is part of the organization. Cultural diversity is not a one shot task, but a life time process, which needs to be carried out as per the changing needs and demands of the diversified workforce.

Thus, it can be summed up that, “Cultural diversity is basically workforce diversity and thus includes all those visible and non-visible factors that cause differences among people, e.g. gender, religion, physical disability, family status, age, race, hierarchical status, language, education, profession and life style etc.”

In the present study, the words diversity, workforce diversity and cultural diversity have been used interchangeably, though they reflect the same meaning.

1.3.2 Importance of Cultural Diversity

It has now become important for today’s organizations to recruit, train, and promote culturally diverse employees. The Human Resource Management approach now recognizes the relationship between culturally diverse people and the organization. The basic foundation for this approach can be drawn in conformity with the observations of Bolman and Deal (2003):

- Organizations exist to fulfill human needs.
- Organizations and people need each other.
- When the fit between the individual and the organization is poor, either one of them or both of them will suffer.
- When the fit between the individual and the organization is good, both will gain.

Hence, cultural diversity is now more a need than a compulsion. When managers appreciate the cultural beliefs and values of employees, a supportive environment is created. Through this, the organization gets successful in creating the right climate of mutual trust and co-operation.
1.3.3 Challenges of Cultural Diversity in Indian Organizations

Challenges and benefits go side by side. If the organization wants to benefit from cultural diversity, then it has to face the challenges as well. Some of the prominent challenges are:

- **Communication:** The organization will have to overcome the constant cultural and language barriers resulting in ineffective communication, lack of team work etc. so as to make the diversity programs – a success.

- **Resistance to Change:** Most of the times, the employees resist change as it’s human nature, one takes time to understand and comply with the change. The mentality of ‘I used to do it this way’ has to be removed from the minds of the employees; only then they will be able to welcome the change.

- **Implementation of diversity in the workplace:** The organization needs to implement the diversity policies at any cost. It goes without saying that in the beginning, the employees may not like or agree to the same. But, this is what is termed as a challenge.

- **Implementation of diversity in the workplace policies:** This can be the dominant challenge for all the diversity promoters/advocates. Simply making it mandatory for the employees to undergo the diversity training does not work well rather the diversity needs to be internalized i.e. it has to be made the part and parcel of every policy, every process of the organization.

1.3.4 Benefits of Cultural Diversity

Diversity management increases profits by providing a competitive edge to the firm (Karsten, 2006). The following are the benefits or advantages which an organization enjoys from a culturally diverse workforce:

1. **Better customer service:** As most of the organizations have different kinds of customers; i.e. a diverse customer base. A diverse employee base can better understand and communicate with different types of customers and thus better serve their diverse needs (Cox, 1993; Karsten, 2006; Konrad, 2003)
2. **Better problem solving:** A team composed of diverse members benefits the organization from more information, richer ideas/view points, and a greater number of approaches to solve problems as compared to a team composed of the same type of members. In brief, diversity can be a knowledge source for problem solving (*Karsten, 2006; Richard, Mc Millan, Chadwick, & Dwyer, 2003*).

3. **More tolerance of different ideas:** A diverse employee base contains a broad variety of ideas reflecting different views and values. To fully utilize these varied perspectives, the organizations must adopt a tolerant attitude towards employees holding different ideas (*Cox, 1993; Konrad, 2003*).

4. **More flexibility:** The organization must be able to respond quickly to meet rapidly changing customer desires, competitive actions.

5. **Valuing fairness and respect for individuals ’contributions:** In order to capitalize on the advantages of increased information, wider, richer perspectives, the organization needs to create an environment where the individuals feel that they operate in a fair environment that values their inputs (*Cox, 1993; Mor Barak, 2005*).

6. **More innovative:** The organization having diverse workforce is benefitted as people from different backgrounds have different ways of looking at the same problem and thus are likely to come up with more creative and innovative ideas to solve the problems and make decisions.

7. **Enhances firm’s image:** The organizations are concerned about the public image i.e. what the public thinks of them and the kinds of feelings which come to their mind when their names are mentioned. A favourable or positive public image helps the organization to attract investors, customers and employees. Being known as a company that values diversity can do wonders for building a good image of the company.

**1.4 Multicultural Organization**

A multicultural organization has been described by *Jackson et al. (1992)* as one that:-
exhibits the contributions made by the diverse cultural groups in its mission, operations, and products or services;

which does not simply believe in lip service rather believe in action, to eradicate social coercion in all forms within the organization;

give equal chance to the diverse employees to participate especially in decisions that shape the organizations; and

takes a follow-up to eliminate all forms of social domination.

1.4.1 Stages and Levels for becoming a Multicultural Organization

Jackson et al. (1993) propose a set of stages and levels through which an organization has to go through, to become a multicultural organization. The brief description about these stages and levels are as follows:-

1. (a) **Level 1 and Stage 1- The exclusionary Organization**: This organization maintains the power of dominant groups in the organization and excludes the others.

(b) **Level 1 and Stage 2 – The Club**: This club still excludes people but in a less precise way. Some minority group members are allowed to remain in the group, till the time they conform to pre-defined norms.

2. (a) **Level 2 and Stage 3- The Compliance Organization**: This organization recognizes that there are other perceptions as well, but does not believe in causing any sort of trouble. It actively recruits minority groups at the bottom of the organization and make some token appointments.

(b) **Level 2 and Stage 4- The Affirmative Action Organization**: This organization is determined to eliminate discrimination and encourages employees to examine their attitudes and think differently.

3. (a) **Level 3 and Stage 5- The Redefining Organization**: The redefining organization develops and implements the policies to encourage distribution of power among all the groups in the organization.

(b) **Level 3 and Stage 6-The Multicultural Organization**: The organization reflects the contribution and interests of its entire diverse workforce in everything it does and supports. All the members willingly and actively
participate in the organization which leaves a positive impact on the external stakeholders.

1.5 Diversity Management

Various authors have defined diversity management in several ways. Some of those are listed below:-

- Wentling (2001) defines, “Diversity management initiatives are efforts to create an environment that works naturally for the total diversity mixture, but not just for women and minorities.”

- Soni, Vidu(2000), “Managing diversity refers to developing organizational structures and processes that effectively utilize diversity and creating an equitable and fair work environment for employees of all racial/ethnic and gender groups.”

- D’ Netto and Sohal (1999) define diversity management as, “a process of creating and maintaining an environment that naturally allows all individuals to reach their full potential in pursuit of organizational objectives.

- Kandola and Fullerton (1994), “The basic concept of managing diversity accepts that the workforce consists of a diverse population of people. The diversity consists of visible and non visible differences which will include factors such as sex, age, background, race, disability, personality, work style. It is founded on the premise that harnessing these differences will create a productive environment in which everyone feels valued, where their talents are being fully utilized and in which organizational goals are met.”

- Torres and Bruxelles (1992) “Managing diversity means enabling the diverse workforce to perform its full potential in an equitable environment, where no one group has an advantage or disadvantage.”

Thus, after going through the above definitions, we can conclude that, “diversity management refers to all those efforts which are made to manage and respect the cultural differences among the people. Managing diversity is going ahead of affirmative action.”
1.5.1 Approaches to Diversity Management

Thomas and Ely (1998) identified three paradigms for managing diversity. These approaches help to identify the stage of development of the firm’s diversity culture. The brief description about the approaches is as follows:

**Figure 1.3**

**Approaches to Diversity Management**

1. **Discrimination and Fairness Approach**: This approach focuses on making proactive programmes for ensuring equal opportunity, fair treatment, recruitment and observance of Equal Employment Opportunity conditions for everyone. Companies following this approach normally introduce mentoring and career-development programmes explicitly for the women and people of minority caste and train other employees as well to respect cultural differences. The essential driving force of this approach is to eliminate prejudice from the workplace and to promote an understanding of cultural differences. Under this concept, the success of this paradigm is determined on the basis of the extent to which the organization is able to attain its recruitment and retention goals instead of the extent to which the work environment of the organization encourage the employees to bring into play their capabilities and viewpoints to carry out their work more efficiently. Though as per this paradigm, the staff gets diversified, but the work does not. The diversification of workforce does not influence the work culture of the organization and leadership could not exploit the potential benefits of diversity (Thomas and Ely, 1998).
2. **Access and Legitimacy Approach:** The approach focuses on the acceptance and utilization of the differences among employees to cater the diverse customer groups. Organizations applying this approach, believe that the marketplace is culturally diverse and hence can present an opportunity or a threat for them. Thus, the organizations or the companies work on improving the diversity of its workforce as they understand the need of having the employees who possess multi-skills and that too in more than one language so that the customers can be understood and served in a better way and thus gain legitimacy with them. Diversity is not just fair; it makes business sense. “Celebration of differences” concept basically categorizes the employees into jobs that suit their niche or “cultural background”. However, the diverse employees often feel exploited as the opportunities in the other parts of the organization are not open to them. Further, in adverse business scenario or downsizing, the special department’s employees are the most vulnerable to lose their job.

3. **Learning and Effectiveness Approach:** This learning and effectiveness approach aims at integrating employees by recognizing that cultural differences are an important source of organizational learning. The differences are valued and are made a part of the core business processes. The organization following this approach believes in an open discussion and ensures respect for differences. The approach aims at developing positive diversity climate and thereby promoting a culture of integration. The organization internalizes differences among employees by putting itself in the shoes of the employees to understand their different perspectives and thus finding the ways of increasing the effectiveness. This learning contributes to the growth of the organization and thus, the team spirit is inculcated among the employees from different cultural backgrounds. They feel valued and respected. To facilitate this approach needs bureaucratic, egalitarian structure. Further, organizational culture needs to encourage openness and set high standards of performance for employees. (Thomas and Ely, 1998).

### 1.5.2 Process of Cultural Diversity Management

According to *Ross and Schneider* (1992), the strategic process of diversity management consists of the following steps:-


1. **Diagnosis**: Every organization needs to identify the current situation in terms of policy, statistics and culture by looking both at the issues and the causes.

2. **Aims Setting**: The next step is setting of aims that normally include the important concerns such as the business case for avoiding discrimination, identifying the vital role of commitment from the top management of the organization, and a vision of what the organization would look like, after successful diversity management.

3. **Awareness raising**: This is a very important stage in which the awareness needs to be raised. The awareness about diversity needs to be raised among the employees at all the levels, especially the managers.

4. **Policy development**: The new systems are implemented through the involvement of all the employees. These should not be imposed.

5. **Managing the transition**: It involves a variety of training initiatives. These may include programmes which are specifically designed for minority groups in order to make them understand the culture of the organization and acquire essential skills. Specific diversity management policies and programmes needs to be developed, particularly focusing on selection, appraisal and coaching, training sessions for further awareness and to identify cultural diversity and to manage different cultures.

6. **To sustain momentum**: This requires involvement of a senior management functionary, not necessarily from HR department, but anyone who continues the process together with the trade union.

7. **To assess achievements in terms of business benefits**: The last step is to manage the success or achievements of diversity management policies, in terms of business benefits such as better or improved relations with the customers, improvements in the productivity and profitability.

### 1.5.3 Strategies for Managing Cultural Diversity

*Adler (1997)* has identified the three strategies for managing Cultural diversity in the organization.
1. **Ignore cultural differences:** The managers following this approach in the organization does not recognize cultural differences and its impact on the organization. This strategy is mainly adopted by parochial type of organizations. In such type of organizations, managers and employees believe that “our way is the only way” to manage and organize. In their view, diversity is just an irrelevant concept. Thus, the efforts for effective diversity management, minimizing the negative impact of cultural differences or increasing the positive impacts of diversity do not find any place here.

2. **Minimize cultural differences:** This strategy is mainly adopted by ethnocentric organizations. Here the managers do recognize the cultural diversity but only as a source of problems. The approach of the managers in an ethnocentric organization is that “our way is the best way” to organise and manage. They think other’s ways of doing as inferior ways of managing. The managers believe in reducing diversity by reducing the problems of differences. They don’t consider the benefits of diversity. Such an organization therefore prefers to choose/have a homogenous workforce. Thus, the ethnocentric organizations remain deprive or untouched from the benefits of diverse workforce by minimizing the scope of having cultural diverse workforce in the organization.

3. **Manage cultural differences:** The organizations which use the strategy of managing differences are synergetic organizations. These types of organizations recognize or acknowledge the effects of cultural diversity that results in both advantages and disadvantages. Managers following this approach believe that “our way and their way of managing and behaviour differ, but neither is superior to other.” Rather, the creative combinations of our way and their way can be the
best approach to managing and organizing. Synergetic organizations manage the cultural diversity by training the managers and employees to recognize cultural differences and to use those cultural differences to create advantages for the organization.

1.6 Responses to Diversity

The responses of managers and employees to diversity can take a number of forms which could be suitable in different situations. The eight responses identified by Thomas (1995) are exclusion, denial, suppression, segregation, assimilation, tolerance, building relationships and fostering mutual adaptation. He described these eight diversity responses in the following way:-

1. **Exclusion**: This involves keeping the members of the diverse groups out or pushing out diverse groups, once they are in.

2. **Denial**: According to this response, the individuals believe in ignoring the cultural differences in the organization.

3. **Suppression**: The individuals are encouraged to restrain their differences.

4. **Segregation**: This refers to putting members of particular groups in certain work or departments.

5. **Assimilation**: It attempts to transform members of a diverse group into replicas of the dominant group. Affirmative action programs are mainly adopted by the organization for this type of response.

6. **Tolerance**: In this situation, the differences among the individuals are acknowledged but the steps are taken to minimize the interaction between the groups.

7. **Building Relationships**: It is believed that, building a good relationship will overcome differences.

8. **Fostering mutual adaptation**: This approach believes in accepting and understanding the differences and diversity.

Thus, it can be concluded that nobody can deny the fact that in today’s era there exists culturally diverse workforce in almost every organization. And, the managers and the organizations as a whole need to leave no stone unturned to make sure that the
culturally diverse workforce are given a topmost priority. That is, if some issues crop in amongst the diverse employees, then it becomes the prime duty of the manager in charge of the same to deal with it very carefully. Because, diversity if handled properly, can prove to be a competitive edge for the organization. And if ignored, can bring the organization to the road. The managers thus have to be prepared well in advance about which strategies they would opt for, if something goes wrong while dealing with the culturally diverse workforce.

1.7 **Industry Profile**

This section uncovers about the industries taken for the study i.e. IT (Information Technology) and ITeS (IT enabled Services). What all comes under the purview of IT and ITeS companies, their growth trends etc. have been explained.

1.7.1 **IT (Information Technology) and ITeS (IT enabled Services)**

IT (Information technology) deals with the managing and processing of information and that too with regard to large organizations. It is basically much more than what everybody thinks of that is, Computers and Networks. It includes all layers of all systems within an organization i.e. physical hardware, applications, databases, storage, servers, operating systems, and much more. Telecommunication technologies, including Internet and business phones also forms a part of an organization’s IT infrastructure.

IT enabled Services (ITeS) is also known by the names web enabled services or remote services or Tele-working. ITeS is a type of outsource services which involves IT in different fields like insurance, telecommunication, finance & banking etc. These services provide a wide range of career options that include opportunities in call Centre, medical transcription, medical billing and coding, back office operations, revenue claims processing, legal databases, content development, payrolls, logistics management, HR services, web services etc.

On the other hand, the term Business Process Outsourcing (BPO) which is now known by the name Business Process Management (BPM) refers to outsourcing in all the fields. A BPO service provider usually controls and manages a particular business
process for another company. BPOs either employ new technology or apply an existing
technology in a novel way to improve a particular business process. On the basis of
geographical classification, ITeS-BPO can be divided into three parts, offshore
outsourcing, near shore outsourcing and on shore outsourcing. Offshore outsourcing is
when the specialist services are contracted outside the company’s own country. Near
shore outsourcing is when the services are contracted in the neighboring country and
onshore outsourcing is when the services are contracted within the borders of the
company’s own country.

1.7.2 The IT and ITeS /BPO Industry in India

India is currently the number one destination for business process outsourcing, as
most companies in the US and UK outsource IT-related business processes to Indian
service providers. India is known for its well established place internationally in the field
of Information Technology enabled Services (ITeS). The ITeS sector has not only
changed the way the world looks at India but has also made significant contributions to
the Indian economy. Business Process Outsourcing (BPO) is the fastest growing segment
of the ITeS (Information Technology Enabled Services) industry. Factors such as
economies of scale, business risk mitigation, cost advantage etc. have all resulted in the
growth of the Indian BPO industry. Business Process Outsourcing which started around
the mid-90s in India has now grown by leaps and bounds. India is now the world’s
favoured market for BPO companies, among other competitors, such as, Australia, China,
Philippines and Ireland. The credit behind the boom in BPO industry in India goes to
cheap labour costs and India’s huge talent pool of skilled, English-speaking
professionals. Research by the National Association of Software and Services Companies
(NASSCOM) has revealed that quality orientation among leading BPO companies, 24/7
services, India’s unique geographical location and the investor friendly tax structure in
India have all made the BPO industry in India very popular.

1.7.3 Growth Trend of IT and ITeS Industry

India’s technology and business services industry is one of the most dynamic in
the world. Economic Survey, 2015-16 indicates that the Indian IT-BPM industry consists
of IT services, which constitute the largest segment with a share of around 52 per cent,
followed by BPM with share of around 20 per cent, software products, engineering research and development (ER&D) and product development, which together account for around 19 per cent share, and hardware with around 10 per cent share. The industry currently employs more than 3.7 million people and is India’s largest private sector employer. It is also playing an important role in promoting diversity within the industry, with more than 34 per cent women employees, over 170,000 foreign nationals and a greater share of employees from non-tier Indian cities.

Total revenue (exports plus domestic) of the IT-BPM sector for 2015-16 including and excluding hardware was expected to touch US $143 billion and US $129 billion, with growths of 8.3 per cent and 9.3 per cent in comparison to previous years respectively. Exports including and excluding hardware are both likely to record 10.2 per cent growth to reach US$108 billion and US$107.6 billion respectively. E-commerce is expected to grow at 21.4 per cent in 2015-16 to reach US$17 billion.

The government has been actively supporting the sector, by making it a key partner in the variety of flagship programmes of the government like Digital India, Make in India, Skill India, e-governance and Startup India. The government’s Digital India campaign, which predicts a US$ 20 billion investment including mobile connectivity throughout the country, re-engineering of government process via technology and enabling e-delivery of citizen services, will promote the IT sector.

The demonetization effort being led by Prime Minister Narendra Modi in India has also paved way for the IT and ITeS companies as it has forced the people directly or indirectly to transact via., internet, may it be for making payments for petty expenses right from grocery shop to the big malls etc., as a result apps like paytm, mobikwik, BHIM, and other modes like mobile banking etc have got a fillip.

(a) Revenue: As shown in figure 1.5, Indian IT-ITeS industry revenue was estimated at USD 129.5 billion in FY 2015-16 as compared to USD 118.8 billion in FY 2014-15, showing an increase of around 9.0%. The overall industry’s growth of this sector over the last five years is given in the table below.
Table: 1.1

IT – ITeS Industry Revenue Trends (in USD billion)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>68.8</td>
<td>76.5</td>
<td>87.3</td>
<td>97.8</td>
<td>107.8</td>
<td>12.81</td>
</tr>
<tr>
<td>Domestic</td>
<td>19.0</td>
<td>19.2</td>
<td>19.0</td>
<td>21.0</td>
<td>21.7</td>
<td>4.64</td>
</tr>
<tr>
<td>Total</td>
<td>87.8</td>
<td>95.7</td>
<td>106.3</td>
<td>118.8</td>
<td>129.5</td>
<td>11.16</td>
</tr>
</tbody>
</table>

Source: Nasscom, E: Estimate, taken from http://meity.gov.in

Figure: 1.5

IT – ITeS Industry Revenue Trends (in USD billion)

Source: Nasscom, E: Estimate, taken from http://meity.gov.in

(b) Employment and Exports: IT and ITeS sector employs a large number of people. The total no. of employees in IT Software and Services was estimated to be 3.688 million in 2015-16. The major source of employment in this industry is IT and ITeS exports. Share of the same has increased over the years.

Table: 1.2

Employment in IT-ITeS Industry (in millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Services &amp; Exports</td>
<td>1.15</td>
<td>1.29</td>
<td>1.6</td>
<td>1.74</td>
<td>1.844</td>
</tr>
<tr>
<td>BPO Exports</td>
<td>0.83</td>
<td>0.88</td>
<td>0.989</td>
<td>1.03</td>
<td>1.086</td>
</tr>
<tr>
<td>Domestic Market</td>
<td>0.56</td>
<td>0.60</td>
<td>0.699</td>
<td>0.745</td>
<td>0.758</td>
</tr>
<tr>
<td>Total Employment</td>
<td>2.775</td>
<td>2.966</td>
<td>3.267</td>
<td>3.485</td>
<td>3.688</td>
</tr>
</tbody>
</table>
(c) **Domestic Market**: As shown in figure 1.7, Domestic IT-ITeS revenue (excluding hardware) was estimated to be INR 1408 billion in FY 2015-16, as compared to INR 1289 billion in FY 2014-15, a y-o-y growth of approximately 9.22%.

### Table: 1.3

**Segment wise Domestic Revenue Trends in IT-ITeS Industry (in INR Crores)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Service</td>
<td>58907.6</td>
<td>66300</td>
<td>72721.6</td>
<td>81662</td>
<td>89562</td>
<td>12.33</td>
</tr>
<tr>
<td>ITeS-BPO</td>
<td>14849.1</td>
<td>17500</td>
<td>19593.8</td>
<td>21490</td>
<td>23364</td>
<td>12.97</td>
</tr>
<tr>
<td>Software Products, Engineering Services</td>
<td>18009.6</td>
<td>20500</td>
<td>22468.8</td>
<td>25788</td>
<td>27907</td>
<td>11.91</td>
</tr>
<tr>
<td>Total IT-ITeS</td>
<td>91766.4</td>
<td>104700</td>
<td>114784.2</td>
<td>128940</td>
<td>140833</td>
<td>12.35</td>
</tr>
</tbody>
</table>

Source: Nasscom, E: Estimate, taken from http://meity.gov.in

---

Source: Nasscom, E: Estimated, taken from http://meity.gov.in
From the above discussion, about various aspects of IT and ITeS industry in India, it becomes clear that India has made a rapid growth in this sector and occupies a leading position globally in the industry. This industry makes a significant contribution towards the growth of Indian economy. However, the credit for its growth deserves to be given to the large pool of skilled technical manpower working in it. The industry has got diverse manpower. As stated earlier, the industry manpower pool comprises of employees coming from small towns within India to foreign countries. Almost one-third of workforce is female. Thus, the management of culturally diverse workforce is a unique aspect of this industry in India that has been explored in the current study.
References


34. http://ls1.and.nic.in/Industry/ASIDE/ITE_S.php accessed on 06.01.2017


44. https://www.pwc.in/assets/pdfs/publications2010/the_future_of_india_it_and_ites
    _industry.pdf accessed on 06.01.2017
    approach”, Public Personnel Management, Vol. 29 (1).
    Resources Initiatives. New York: Guilford Press.
    Competitiveness: The Canadian Experience’, International Journal of
    Manpower17 (4/5), 14-29
    Difference: A Field Study of Diversity, Conflict, and Performance in
49. Kandola, R. and Fullerton, J. (1994), Managing the mosaic-diversity in action,
    Cromwell Press, Wiltshire.
    Lanthan, MD: University Press of America.
    Resources I in Hospitality & Tourism, 5:2, 69-90
52. Kluckhohn, Clyde; and Kelly, W. H.(1945). The Concept of Culture. Pages 78–
    105 in The Science of Man in the World Crisis. Edited by Ralph Linton. New
    York: Columbia Univ. Press.
    Group and Organization Management, 28, 4-17.
    4, No. 1, Jan-Mar., pp 61-63.
    cultures. Syracuse, NY: Syracuse Univ. Press.


