



A STUDY ON HOW WORKFORCE DIVERSITY AFFECTS BUSINESS MANAGEMENT STRATEGIES

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Abstract

In response to the changes in the labor market, recent companies have recently developed an innovative employment model (i.e. diversity-based workforce model) to optimize labor costs and generates relative performance. As workforce diversity has become a new employment model in the 21st century, this study aims to explore how companies face the employment market with diversified labor demand. This study uses a business case to illustrate that the diversified employment model can increase employees' wages and motivate them to receive on-the-job training. Furthermore, a dynamic employment market can promote national economic growth. The study found that the adoption of a diversified employment model has a positive effect on business strategy, enabling companies to use workforce flexibly and contribute to the development of national economy.

Keywords: workforce diversity, business management strategy, labor market, employment model, business performance management

Introduction

Today's global politics and economy are intertwined, so companies are subject to intense competition across industries. In pursuit of growth and development, most companies have taken various measures to transform towards diversification and internationalization (De Massis, et al., 2018), including tech-

nical cooperation, strategic alliances, and joint ventures with well-known multinational companies, or directly or indirectly investment in overseas companies. Moreover, governments of various countries continue are cultivating potential human resources (such as encouraging women's employment and re-employment of the elderly, and guaranteeing the employment rights of ethnic minorities

or the disabled), and actively recruiting foreign professional and technical personnel by providing permanent residency to foreign professionals (Bratton, et al., 2021) to enhance the competitiveness of domestic industries. This shows that important resources of a country or an enterprise are not limited to capital, technology, or equipment, but also include talents with professional abilities. Human resources will flow freely internationally, and in the future, multinational companies will need to attract more and more talents from other countries. In addition, this also means that the "diversity" of human resources is a global trend. Many internationally well-known companies (such as McDonnell Douglas, Hewlett-Packard, Xerox, General Electric Company, and Ortho Pharmaceuticals, etc.) offer relevant diversity training courses (Cox, 1991) because leaders of these companies believe that their companies' future competitive advantage will depend on the management of a diverse workforce. In other words, "managing diverse workforce" has also become a significant business strategy for several well-known international companies (Kumar, et al., 2020).

Literature Review

Workforce Diversity

In today's fast-changing and competitive global marketplace, organizations have come to realize the positive benefits of workforce diversity. The overall economy of the world is gradually changing, coupled with the development of transportation technology and the continuous progress of communica-

tion technology, the perceived distance between people is getting closer and closer. This globalization trend has turned the world into a global village (Fatehi & Choi, 2019). In this increasingly interdependent global economy, organizations are moving towards a new world full of cross-border trade and investment barriers, where everyone has the opportunity to work overseas or cooperate with people of different backgrounds. Thus, the importance of diversity management is gradually gaining public attention, covering a range of topics related to quality, leadership, and ethics (Kakabadse, et al., 2018).

The definition of diversity now covers even more elements, and is no longer limited to surface-level diversity, but also includes deep-level diversity. In other words, workforce diversity must consider both surface and deep elements, and organizational diversity management should take into account both explicit and implicit heterogeneity. To survive in a hyper-competitive world, organizations must build efficient, high-performing work teams to respond to a changing global business environment. Therefore, every organization must have a diversified workforce. To realize the full potential of a diverse workforce, organizations need to attract and retain employees with diverse attributes and backgrounds (Goh & Okumus, 2020).

By understanding the attributes and backgrounds of employees, organizations can gain insight into workforce diversity. Koellen (2021) interprets the connotation of diversity from the content level, and he believes that personal at-

tributes belong to the content of diversity. Whether it is an externally observable personal trait, or an internal unobservable personality, attitude, or value, these are all attributes of diversity. Underlying psychological characteristics such as personality traits, beliefs, attitudes, cognitions and values are collectively referred to as deep-level diversity in order to distinguish it from surface-level diversity. In this way, the individual effects of the two can be compared (Héliot, et al., 2020).

To achieve workforce diversity, many organizations are beginning to adopt a diversity management approach. To comply with regulations, organizations hire employees with different attributes to reduce discrimination. Moreover, organizations that violate government regulations can suffer substantial financial and reputational loss. Therefore, both management level and employees of an organization must understand what legally must and should not be done about workforce diversity. Effective diversity management requires understanding and compliance with laws and regulations. However, to achieve successful diversity management, organizations need to make extra efforts (Robbins & Coulter, 2014).

Business Management Strategy

According to Freudenreich, et al., (2020), a business model is a value-generating system composed of product flow (service flow), capital flow, and information flow. The entire system covers value, scale, revenue streams, pricing, related activities, operational

integration, and sustainability, and can represent a company's profitability and long-term plans, enabling the company to continue to innovate, expand and generate steady revenue in a dynamic environment. Turoń (2022) pointed out that a business model can not only present the way a company operates, but can also be used to develop monetization plans. In addition, the business model enables companies to find their own position and niche, define target customers, plan product or service portfolios, choose sales methods and channels, and cooperate with third-party manufacturers in a complex and highly competitive environment.

Several studies further explored the elements of an enterprise's business model. Parida, et al., (2019) defined the structure of business model as follows: "A business model is the way an enterprise earns profits by providing products and services, and consists of six elements: Who, What, When, Where, Why and quantity (How much)". Similarly, Abdulkader, et al., (2020) believe that the business model includes key strategies, strategic resources, customers and value networks, and is the way companies create value. As demonstrated by Basile, et al. (2021), the elements of a business model include profit categories, customer value, scope, pricing, revenue streams, related activities, construction, capacity, sustainability, and cost structure. Clauss (2017) reviewed the past literature and proposed that a company's business model should address nine levels: the value proposition communicated to consumers via its products and services, target groups, distribution chan-

nels, customer relationships, value activities, and resource allocation, core competitiveness, partner network, cost structure and revenue model.

As stated by Keiningham et al., (2020), a business strategy must clearly describe the following aspects: First, product and market scope (i.e., describe where the company competes and identify its customers, geographic regions and product segmentation). The second is the basis of differentiation, which describes how a company's competitive approach differs from that of its competitors. Fosfuri et al. (2016) pointed out that social companies usually need to focus not on market size or market attractiveness, but on recognition and response to social needs or market failures. The most important point is how to adopt innovative methods to efficiently leverage limited resources to meet the needs of society. The service objects and needs faced by social companies are usually more diverse than ordinary companies, and they enjoy a lot of freedom and they are willing to seize these opportunities. Take Guide Dogs for the Blind Association (GDBA), an organization whose operating expenses suffered financially from a lack of a sound business strategy. Therefore, organizations must develop long-term strategic development plans because the resources and capabilities of the enterprise may not be sufficient to grow rapidly.

Empirical Analysis

In this ever-changing global market, many companies hope to attract diverse employees by adopting diversified man-

agement strategies, thereby stimulating creativity and responding to more diverse market demands (Su, et al., 2022). An inclusive corporate culture and workforce consist of people from different backgrounds. As a result, there is not only considerable heterogeneity among corporate employees and team members, but also potential conflicts arising from differences in culture, habits, and values. The following paragraphs will present several examples to demonstrate how diversified employment affects companies.

Amazon faces workforce turnover on a seasonal basis, so this international company chooses to work with contractors to replenish its human resources rapidly to ensure steady operation. According to Iheriohanma & Austin-Egole (2020), contractors enable companies to quickly obtain new employees and reduce recruitment and training costs. With a diversified employment model, including Amazon Mechanical Turk (that is, MTurk workers), the division tasks are allocated to crowdsourcing collaborators. Besides, the split tasks can reduce the demand for all-talented workers. The talent pool can thus rapidly provide employees with specific skills to companies, and the recruitment cost can be lower than that of traditional recruitment methods.

Compared with traditional recruitment methods, the diversified employment model enables companies to save labor cost and implement more cost-effective strategies. With the help of a diversified employment model, companies can find appropriate candidates for

non-core staff more easily and save staff costs at the same time. Additionally, companies can increase product development, accelerate the R&D progress, seize business opportunities, lower product prices, and obtain higher market share by saving staff costs. For example, Amazon's Kiva warehouse robots successfully reduced the demand for warehouse staff and saved related labor costs. Meanwhile, it is proved that these robots can improve warehouse efficiency and expand stock volume (Girija, et al., 2021). As Amazon continues to expand its business, develop new technologies, diversify its products, and expand its business divisions, its demand for employees continues to rise. However, Amazon's business is greatly affected by seasonality, so the demand for staff fluctuates greatly between peak and lean seasons, requiring a dynamic and diversified employment model.

3M was established in Minnesota, USA in 1902. Its full name is Minnesota Mining and Manufacturing Corporation, and it is a multi-national corporation with a long history in the US. This company has been known for its wide variety of products and innovative ideas, and is a world-renowned multi-national company. Most importantly, it has formulated a unique management mechanism, which enables the company to continuously provide innovative products and achieve impressive performance. After delving into 3M's excellent results, it turns out that these successes are not accidental: Guided by this complete set of corporate values and its multi-product development strategy, this giant enterprise can set foot in various fields and

penetrate into corporate management at all levels (Shaikha & Singhalb, 2019).

3M does not adopt various highly standardized management systems such as zero defect and "Six Sigma", but uses a unique innovation team structure. The innovation team is like the most core and basic unit in the hive, and consists of researchers, manufacturing personnel, market development personnel, sales personnel and financial personnel. Creativity is the core element in this unit, and everyone's goal is to achieve good ideas. 3M promotes an inclusive corporate culture where employees have the opportunity to collaborate with others who are curious and creative. The company's customers, suppliers and reseller partners are located around the world and constitute diversified groups (Murphy, et al., 2019).

The key to 3M's diversity lies in its inclusion, which supports different cultures and provides fair and equal opportunities for everyone. The company understands that employees feel a sense of belonging when their collective and individual characteristics are respected. Inclusion fosters engagement, cooperation, creativity and innovation, which drives the growth of its employees and teams and 3M's overall performance. Diversity refers to respecting each other's differences, and inclusion stands for integrating differences and creating more possibilities. 3M regards the company's more than 70,000 employees as its most valuable asset, and believes that the company's goals for continuous growth can only be achieved by relying on the creativity of its colleagues. Re-

spect for the rights and dignity of individuals, and the provision of full freedom of work, are the driving forces behind the creativity of colleagues (Latorero, 2018).

Another great example is McDonald's. The company opened its first McDonald's in Singapore in 1979, and Singapore now has a total of 110 McDonald's with about 7,000 employees, of which about 50% are over 40 years old. McDonald's employs fair employment practices and offers full-time and part-time employment opportunities. Its employees cover all ages and races as well as people with disabilities. As indicated by Rahman (2019), McDonald's provides re-employment opportunities for people from all walks of life as long as candidates demonstrate good health. McDonald's established an appraisal system to evaluate employees' performance. Moreover, this company offer pre-retirement counseling for employees. McDonald's adopts age-friendly measures such as flexible working hours and part-time work arrangements. Flexible measures could benefit many workers, especially older workers, by making it easier for them to balance work and family time.

According to Su, et al. (2022), Germany, the United Kingdom, the Netherlands, Denmark, and other countries have introduced diversified employment models for many years. These countries have developed a full set of measures to implement flexible working hours. Here are a few examples. FUCHS (Germany) is a forerunner of the diversified employment model. It has flexible

agreements with workers to reduce working hours, so it can deal with the high severance burden caused by mass layoffs. Tokyu Department Store in Tokyo (Japan) adopts a free-time mechanism and diversified employment, which further increased the number of applicants.

Workforce diversity can bring multi-faceted benefits, including organizational performance, personnel management and strategic operation. In terms of organizational performance, hiring a diverse workforce can not only reduce discrimination under the principle of equal employment opportunity, but also avoid legal and financial loss due to discrimination by complying with legal requirements. In addition, increasing employee diversity can reduce the cost of turnover. In people management, a diverse workforce enables organizations to attract and retain employees and integrate the knowledge, skills, and abilities of employees with diverse backgrounds and experiences. In this way, it can help organizations to form unique human capital, expand its scale, make it operate more smoothly, and build competitive advantages. Meanwhile, a diverse workforce allows organizations to remain resilient and improve their problem-solving skills, thereby helping to increase organizational innovation (Moore, et al., 2020).

Conclusions and Suggestions

For enterprises, workforce diversity can save labor cost, improve business performance, and upgrade competitiveness. Many enterprises use diversified

employment model to reduce personnel costs. Faced with challenges such as industrial transformation, competition with global companies, rapid development of information technology, and changes in social values, countries such as Europe, the United States and Japan have executed diversified employment for many years. Leveraging a diverse workforce can activate the labor market, improve labor efficiency, and promote economic development. A diverse workforce can positively affect businesses and organizations, including boosting creativity and solving complex problems. However,

managing a team of diverse employees is the biggest challenge for HR sector and management levels, such as increased conflict and disagreement, and reduced team cohesion. Therefore, enterprises and organizations should formulate relevant management policies for workforce diversity and take good advantage of the differences of employees, thereby enhancing the productivity of the organization as well as creating an inclusive, supportive and harmonious working atmosphere.

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