HR DIVERSITY AND CSR REPORTING

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Abstract

Empirical studies argue that human resource (HR) diversity contribute to creativity, innovations and organizational development, on the one hand. On the other side, practitioners see a gap between theoretical HR studies dealing with relations between HR diversity management and organizational performance, and the reality of monitoring effectiveness of HR diversity. HR diversity strategy can be a part of corporate social responsibility (CSR) because international standards used for CSR reporting include indicators about the diverse labor force. The paper aims to review empirical studies about HR diversity management and identify when and how CSR reporting uses the HR diversity indicators in general and in the case of the Czech Republic. The methodology of research cover publication research, semi-structured interviews held in March and April 2017, and author`s observations. Respondents are line managers, HR managers and employees of subsidiaries of multinational enterprises located in Prague and Central Bohemia. Outcomes of the paper are an analysis of the current situation in the Czech environment and recommendations for the development of CSR reporting.

Key words: human resources, diversity management, CSR reporting

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Introduction

Practitioners see a gap between theoretical HR studies dealing with relations between HR diversity management, and organizational performance, and the reality of monitoring HR diversity and corporate social responsibility (CSR). They sometimes ask for theoretical grounds that explain the connection between HR policies and individual, group and organizational performance so that to get a confirmation for the design and the implementation of HR policies and practices focused on the diverse workgroups as an evidence of fair employment policies (Becker & Gerhart, 1996). HR diversity can be a part of

CSR because international standards used for CSR reporting include indicators about the diverse labor force.

The paper aims firstly, at summarizing findings of HR diversity management, and secondly at identifying the reality of monitoring and reporting CSR in the Czech Republic using data collected by semi-structured interviews with line managers, HR managers and employees. The findings can contribute to the discussion between academics and practitioners which diversity management practices can support CSR activities.

1   Theoretical grounds of the HR diversity management

The institutional theory means a theoretical ground for explaining HR diversity management. Dobbin, Kim and Kaley (2011) believe that the external pressure for innovation reinforces internal advocacy and point to functional need as a driver of innovation. Based on an organization`s strategy for managing diversity, decision makers have an influence on both the process of meaning, i.e., how to define approaches to diversity and its effects, and the perception of performance effects, incl. relations which are between diversity management and HRM policies (Benschop, 2001). It is evident that firms with workforce diversity intend to more extent than others to develop diversity programs (Dobbin, Kim & Kalev, 2011). The review of secondary sources show that inequality and discrimination still widely exist and HRM mainly focuses on compliance with equal employment opportunity and affirmative action legislation (Shen et al., 2009). In the cases, that corporations implement work-life HR practices, then it is associated with the increase in the percentage of women held senior management positions in a few years (Dreher, 2003).

Thomas and Ely (1996) describe the reality in managing HR diversity that diversity efforts in the workplace have been undertaken with considerable goodwill, however, ironically, they often end up fueling tensions. The discrimination-and-fairness paradigm accepts that discrimination is wrong. Based on it, the monitoring focuses on how well the company makes its recruitment and retention goals. This model looks at assimilation and color- and gender-blind conformism through the pink glasses. The access-and-legitimation paradigm, on the other hand, celebrates differences. Organizations seek access to a more diverse clientele, matching their demographics to targeted consumers. But that model can leave employees of different identity-group affiliations feeling marginalizes or exploited (Ibid.). When Ely and Thomas (2001) analyze three culturally diverse organizations, they

identify three distinct perspectives on workforce diversity: the integration-and-learning perspective, the access-and-legitimacy perspective, and the discrimination-and-fairness perspective. They conclude that all three perspectives on diversity are successful in motivating managers to diversify their staffs, but only the integration-and-learning perspective provides the rationale and guidance needed to achieve sustained benefits from diversity.

Kalev, Dobbin, and Kelly (2006) analyze three broad approaches used by employers to promote diversity. They find that some programs are designed to establish organizational responsibility for diversity, others to moderate managerial bias through training and feedback, and still, others to reduce the social isolation of women and minority workers. They argue that efforts establish responsibility for diversity lead to the broadest increases in managerial diversity. Furthermore, organizations that develop trust see better effects from diversity training and evaluations, networking, and mentoring. Jehn, Northcraft, and Neale (1999) contribute to the discussion about managing diverse workforce because they explore the influence of three types of workgroup diversity (social category diversity, value diversity and information diversity) and two moderators (task type and task interdependence) on workgroup outcomes. They believe that information diversity has a positive influence on group performance, social category diversity positively influences group member morale, and finally, value diversity decreased satisfaction, intent to remain, and commitment to the team.

2 Discrimination-and-fairness paradigm as a basis for commitment to CSR

The discrimination-and-fairness paradigm argues that discrimination is wrong and in the long-term perspective it will undermine a sustainable competitiveness of companies (Crane & el., 2008). The financial reporting should go hand in hand with CSR reporting and commitments to socially responsible behavior (Lewis, Palacios & Valenzuela, 2016). Such an approach to business may bring demonstrable benefits. The number of organizations that publish their responsible activities is constantly growing. The involvement of business entities in areas previously owned by the public sector, from health, education, to environmental protection, is still expected (Nonet, Kassel & Meijs, 2016). „Business entities are no longer just a part of the market, they are its creator. And that is where there is a lot of room for social innovation," says the update of the National Action Plan for Corporate Social Responsibility in the CR in December 2015.

Organizations in the CR initially implemented CSR in the form of one-off projects from sub-areas. Companies have gradually begun to integrate CSR into the management

system and become an integral part of their overall strategy. The most common activities are, e.g., employee care, environmental protection and community assistance, supplier relationships, and more. Primarily appreciated is the system approach and synergy effects. And that approach intends to be supported by an innovative methodology to monitoring and reporting CSR.

Changing structures of markets and organizations increasingly affect working conditions and working relationships. Based on the knowledge of the decisive factors influencing the world of work, it is possible to predict the quality of working life and the level of employee engagement (Hopkins & Scott, 2016). The working hypothesis reacts on the one hand to changes in capital approaches - it is no longer fixed in one place, it is easily relocated and is no longer dependent on a specific workforce. Seeks for yourself the most favorable conditions incl. work conditions and employment. On the other hand, it looks at the need to contribute to sustainable development in the business (three P: profit, planet, people).

CSR has a crucial impact on the strategy of corporate development, personnel management, internal and external communication, as well as interfering with the competitiveness of companies in the region and contributing to the development of the local economy (Story & Neves, 2015). Introducing non-financial information is a crucial step to cope with the change leading to a sustainable global economy that combines long-term profitability with social justice and environmental protection. Through transparent business, including reporting, the entrepreneur increases his credibility.

2   Research about HR diversity management and CSR

2.1 Research methodology

The methodology uses for gaining and collecting data: analyzing secondary sources, semi-structured interviews, and author`s observations. The reasoning for these methods is that the topic deals with social phenomena, i.e. culture, values, behaviors, which are influenced by personal understanding and prejudices. Therefore, research collects and analyses data by an interpretative group of methods that disclose the meaning-making practices of human subjects with the aim to get a basis for generating observable outcomes and developing reasonable recommendations. The research uses in-depth analysis of data obtained from semi-structured interviews with line managers, HR managers, and employees about HR diversity management and CSR as a business case.

2.2 Research findings

Semi-structured interviews with HR managers, line managers and employees verify the model of HR diversity management. Results are analyzed and synthesized so that to generalize findings of the Czech reality in HR diversity management and CSR reporting. The interviews were with 30 respondents employed with local subsidiaries of multinational enterprises in March and April 2017. Segments of their economic activities cover banks, consultancy, FMCG, and logistics. Respondents work for local subsidiaries of multinational corporations in Prague and Central Bohemia. Their structure characterizes the following:

– 23 women and seven men,

– Respondents aged 24 to 30: 21, respondents aged 31 to 40: five, and aged 41 to 50: four,

– All respondents have university degrees,

– Five respondents work as line managers, ten respondents as HR managers or HR specialists, and 15 employees.

Interview questions are the same as they were asked a year ago so that findings can compare. They map personal attitudes to HR diversity at work and CSR, i.e.:

1. Has your company the mission statement with value on diversity?

2. If your employer has the mission statement with value on diversity, how is line management prepared to be effective with this diversity value/initiative?

3. What do you see as the most challenging aspect of a diverse working environment? What steps have you taken to meet this challenge?

4. What kinds of experiences have you had working with others with the different background than your own?

5. Tell me about time you had to alter your work style to meet a diversity need?

6. What does it mean to have a commitment to diversity and how would you develop and apply your commitment to this company?

7. What was/is the diversity value at your current/former employer? What impact did you make of this value?

8. What efforts have you made, or been involved with, to foster diversity competence and understanding?

9. What have you done to further your knowledge about diversity? Have you included diversity in your professional development? How have you demonstrated what you have learned?

10. What kind of leadership efforts would you make to ensure a commitment to the diversity initiative or value?

11. What strategies have you used to address diversity challenges? What were the positives and negatives?

12. What methodology have you use to monitor and evaluate CSR programs/initiatives?

Respondents cannot confirm that their employer has the mission statement with value on diversity, but they believe this may regulate compliance programs. HR departments are responsible for a compliance policy and its programs. Line managers received information and training about the company`s compliance program and HR managers control outcomes. Most respondents see as the primary challenge a systematic support to line managers whose workgroups are diverse. They welcome a guidance provided by top management and support by HR business partners or HR specialists, reliable internal communication from top-down, and acceptations feedback from bottom-up regarding diversity workgroups. In the case, to describe positive aspects of the diverse workforce, respondents agree with the well-known benefits: diversity gives the motivation to create innovations, it modifies attitudes to different people and their culture, generates networking and information exchange, and leads to unusual solutions. Negative sides stem from prejudices, management bias, language barriers, a brief period of adaptation at work and integration into the company culture, which in the context of the current situation in the Czech labor market causes quick employees` responses to leave and change job. A small number of respondents see the training and development of line management in diversity values, mentoring and coaching in diversity management as perspective HR practices for the improvement of turnover and absenteeism of blue-collar jobs and shop-floor positions.

2.3 Recommendations to CSR reporting in the Czech conditions

Interest in so-called non-financial reports is growing - not only that it is beneficial for companies in terms of risk management and the impact of their activities, but for the requirements of the European Union, many of them will become mandatory from next year as well. Organizations will also help make better decisions and contribute to the United Nations' sustainable development goals. The number of large companies report regularly on non-

financial activities in their annual reports or separate reports. However, the disadvantage has so far been difficult to compare companies with each other, which can facilitate this methodology. In addition, pressure on disclosure of non-financial information is increasing not only on the part of consumers but also on the part of investors.

The CSR Reporting / Sustainability Reporting methodology is based on proven and ongoing international practices – global standards, such as Global Reporting Initiative[1] and United Nations Global Compact (UN GC)[2].

The proposed CSR reporting methodology includes areas and indicators stemming from standards and principles of the UN GC and GRI standards. At the same time, the methodology must consider the content of the updated National Action Plan for CSR in the CR. The design of four areas of methodology, i.e. economic, employment, social and environmental, is the traditional pillar of different CSR platforms, and standards. The complexity affects different dimensions of social responsibility. This methodology covers the fifth area - CSR management, because the functional areas mentioned above are effective when they are in strategically setting, managing, securing resources, and supporting top management. Specifically, this means that CSR management is assessed using indicators: CSR strategy, resources, stakeholders, compliance organization, monitoring and measurement, top management review.

2.4 Target groups of the CSR reporting methodology

The CSR reporting methodology focuses on three segments: small and medium-sized enterprises, large enterprises and social enterprises.

Target group of small and medium-sized enterprises is diverse in the fields of economic activity. Legal forms include commercial companies, especially limited liability companies. The purpose of their business is to make a profit. The methodology of CSR reporting is particularly suited to small and medium-sized enterprises because it is complex, systematic and administratively inexpensive[3]. Socially responsible behavior can be regularly evaluated and its development monitored over time. Reporting is transparent, builds on self-assessment, and provides feedback for the improvement.

Target group of large enterprises is diverse in the fields of economic activity. Legal forms include commercial companies, especially limited liability companies and joint stock

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[1] Global Reporting Initiative (http://www.globalreporting.org).
[2] United Nations Global Compact (http://www.unglobalcompact.org).
[3] See http://csr-reporting.cz.

companies. The purpose of their business is to make a profit. The methodology of CSR reporting can be used by large companies just like small and medium-sized enterprises because it is comprehensive and systematically assesses the criteria that are contained in international standards or the Czech KORP method. Using the same reporting form for various categories of businesses will contribute to enhancing the transparency of responsible behavior across business entities and provides a basis for benchmarking.

Target group of social enterprises is diverse in terms of legal forms. These are social enterprises, which are cooperatives, commercial companies (especially limited liability companies), charities, foundations, associations or registered religious persons. What is common to them are the signs of a social enterprise, which are based on the linking of the economic objective with the social objective. Because, in addition to their social benefits, they conduct and perform a permanent economic asset, a unified methodology of CSR monitoring is important for social enterprises. In addition to self-assessment and feedback, its use in the target audience will contribute to enhancing the transparency of responsible behaviors by monitoring activities on equally equal conditions.

Conclusion

HR diversity management and CSR has gained attention because of the growing pressures on business, long-term negative demographic trends in the Czech labor market, changing the workforce composition, and the accepted role of HRM in sustainable competitiveness. This study uses the same methodology for research about HR diversity management in the Czech Republic in 2016 and 2017. It gives opportunities to continue the research and compare the development of this phenomenon. Empirical studies in Central and Eastern Europe in this area are at the beginning, and future findings will contribute to close the research-practice gap in the context different national culture.

The analysis is small in the scope. However, the qualitative method of research allows identifying the reality of HR diversity management and CSR. Employers start to deal with issues stemming from the diverse workforce and fairness-discrimination paradigm. External factors influencing this change include the shortage of labor force in the CR, and the lack of skilled workers (mainly, in technical specializations). HR marketing attracts the whole spectrum of the workforce due to the low unemployment rate and the growth of the economy. Employers search for blue-collar jobs even among ethnic minorities, women at maternity

leaves, long-term unemployed people, prisoners, and migrants. They recruit almost anybody who is competent to master job requirements and willing to work.

Findings from interviews in 2017 and 2016 show more similarities than differences in attitudes among respondents to the topic. Employers may have the mission statement to eliminate discrimination and promote integration, but no respondents identify an existence of an HR diversity policy. It prevails pragmatic approaches to managing the diverse workforce. It depends on a personal value of line managers how they motivate and use HR practices in day-to-day matters. A positive trend is that some companies measure the effectiveness of HR policies and practices, which cover indicators of gender and minority audit, as well.

In general, HR practices try to implement fairness and reduce the discrimination. Employers provide no diversity training, and it is rare to find training programs that consider value diversity and culture diversity. HR practices used in managing diversity focus on recruitment and selection, less on training and development, compensation and benefits. Companies rarely use HR controlling, and an idea of HR diversity audit seems to become a future challenge. Line managers need training in communication and interpersonal relations in diverse workgroups.

Acknowledgment

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