

# The International Status Quo of Cultural Diversity Management

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Contact:

Dr. Petra Koeppel  
Competence Centre “Corporate Culture / Leadership”  
Bertelsmann Stiftung, Gütersloh / Germany  
Phone +49 / 5241 / 80-89957  
E-Mail [petra.koeppel@bertelsmann.de](mailto:petra.koeppel@bertelsmann.de)  
[www.bertelsmann-stiftung.de](http://www.bertelsmann-stiftung.de)

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## Abstract

On the one hand, diversity management is often seen as a means to enhance the image of a company, at times as a means to meet social or moral obligations like providing equal opportunities for men and women, but in the meantime also increasingly as a management tool to take advantage of the resource “diversity”. In an international comparison a questionnaire-based survey has investigated in how far companies have developed strategic approaches to cope with this phenomenon, which instruments are implemented and which advantages, or difficulties respectively, companies see arising from cultural diversity. Emphasis is placed on a comparison between German and international companies.

## Introduction

Diversity management, a concept that originated in the American Civil Rights movement, is gradually taking root in Europe. Originally conceived as a measure to implement equal rights, it has developed into a management tool applied in order to make better use of human resources. In both, the USA and Europe, companies feel the global impact which on the one hand builds up increased competition on the domestic markets, on the other hand opens up opportunities to enter new markets and to benefit from location advantages in production and development processes. A company that is operating on a global scale today has to assert itself in various markets with various cultures. In addition, the corporate structure has to adjust itself to a very dynamic and heterogeneous environment: rigid hierarchies and long chains of communication have to be amended in favour of flexible systems which can adjust quickly to changed conditions and, even better, pre-empt future developments. In order to be able to survive in a competitive environment, resources have to be used in both an efficient as well as flexible manner, and this applies to the staff, too. Employee know-how and skills become crucial in high-technology sectors, their combination and targeted application are success criteria in the provision of innovative products and services. These are the requirements of the companies; the societies on the other side are becoming increasingly pluralistic and individuals and sub-groups stand out from the big homogenous crowd. Among others, the following tendencies should be mentioned:

- More and more women shift their activities from family to professional life.
- People with diverging sexual orientation require their needs to be respected.
- Members of different religious denominations demonstrate their own values and behaviour based on their religious beliefs.
- European integration is progressing and immigration from European and non-European countries increases cultural diversity within the population.
- The new Bachelor and Master system at the universities generates graduates with diverse levels of proficiency and a variety of study courses unknown up to now.
- Due to the demographic change the number of elderly people in society is increasing.
- Forms of family structure traditionally passed down are breaking up, women, men and children live together in new constellations.

As a consequence, different qualifications, life-styles, needs, values and experiences emerge. This heterogeneous mix passes through to the labour market and has to be taken into account when recruiting and appointing staff. In the process of merging the demand of companies with the supply on the labour market, a certain fit needs to be achieved, however, which has to be co-ordinated. This is where diversity management comes in, which will be presented in the following survey as a tool to take advantage of the resource diversity.

## 1 Cultural diversity and cultural diversity management

Diversity describes “a variety of qualities, or rather everything in which people are different from or similar to each other” (Sepehri 2002, p. 77). Diversity or variety here means a range of features to describe people, e.g. age, gender, sexual orientation, origin, religious denomination, social class etc. Cultural diversity singularises the feature culture, be it with respect to nation, region, ethnic group or religion, as well. Corporate, industry and professional cultures also come under this heading.

Diversity management has been developed as a hands-on concept to deal with diversity in all its aspects. Diversity management is aimed at increasing staff’s motivation and creativity through taking advantage of their various backgrounds and at supporting corporate strategy. Cultural diversity management focuses on how to deal with cultural heterogeneity, which is particularly important for companies in the process of globalisation.

Diversity is characterised by a wide range of qualities: on the one hand, it contributes a considerable number of valuable skills and acquirements, for instance creativity and innovation as well as precisely matching customer orientation. On the other hand, differences, in particular cultural differences, may lead to misunderstandings and friction loss. One aspect of diversity management is therefore the prevention of conflicts, or, respectively, finding constructive solutions; efforts must not be stopped here, though, as otherwise a vast potential would be left untapped – diversity is to be seen as a resource which has to be activated strategically in the operations of the company.

A look at the corporate landscape reveals a vast number of diverging attitudes to cultural diversity and cultural diversity management – which may perfectly well differ from the concept just outlined above – depending on location, industry, size, history or international positioning of the company. A connotation observed particularly often is the emphasis on conflicts, which makes diversity management appear in a rather unpleasant light, as something only necessary in companies and countries stricken by ethnic or other conflicts. The present survey therefore intends to draw attention to the special conditions in any given situation by means of a country comparison. In addition it will focus on the position taken by German companies in particular. The survey is also aimed at pointing out the contradictions between intention and reality, a dichotomy characterising the actual application of diversity management.

## 2 Methods applied in the survey

In order to collect the relevant data on (cultural) diversity, its current status, its strategic relevance and on ongoing activities in accordance with the objectives of the survey, a standardised questionnaire was developed, which was subsequently sent to the management of big German and international companies. The sample was compiled from the Top 600 Germany and the Top 600 international. The survey was carried out in the period from March to June 2006 and had a response rate of 78 questionnaires.<sup>1</sup>

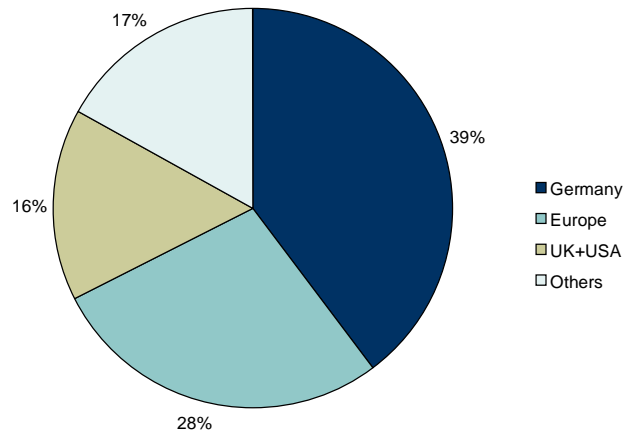
The data was then categorised into the statistically particularly relevant groups Germany, USA and United Kingdom, rest of Europe and other countries, which differ clearly from each other (see fig. 1). About 60 percent of the companies come from the manufacturing industry, 40 percent

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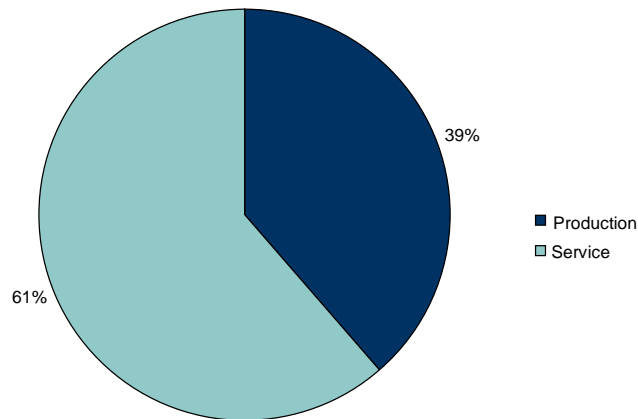
<sup>1</sup> This rate is comparable to other diversity studies like, e.g. those by Süß / Kleiner (2005), who operated with a response rate of 79 questionnaires and those by Stuber (2005), who received a response from 46 companies.

belong to the service sector (see fig. 2). 65 percent of the companies employ more than 20 000 staff, 35 percent less (see fig. 3).

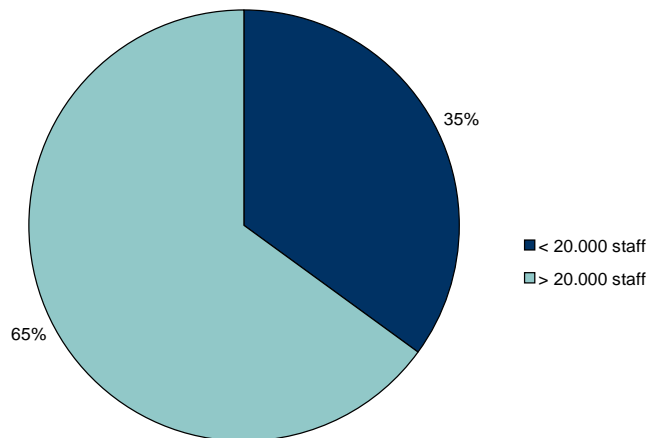
**Figure 1:** Distribution of companies according to the four regions



**Figure 2:** Distribution of companies according to production and service industries



**Figure 3:** Company size according to number of staff employed



### 3 Results: An international comparison on the status of cultural diversity and cultural diversity management

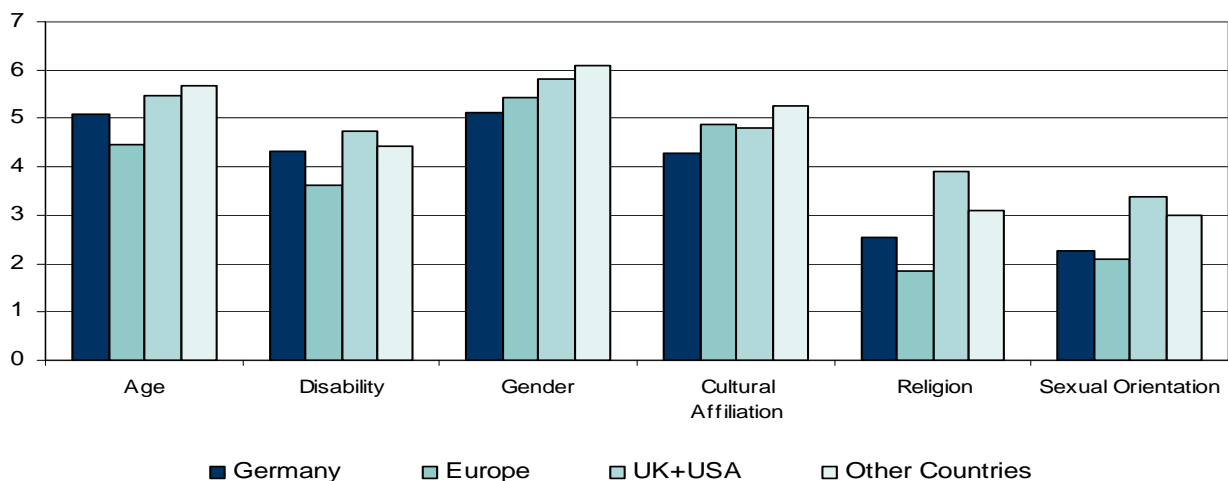
#### Which are the relevant dimensions of diversity?

Seen from a historical perspective, diversity has grown differently in each country and in each company. In view of the demographic and socio-cultural influences it may be assumed that the relevance of the dimensions age, disability, gender, cultural affiliation, religion and sexual orientation as dimensions of diversity will differ from country to country and from company to company. These six dimensions correspond to the categories of the two EU directives on equality.<sup>2</sup> In the survey results it becomes apparent that gender is playing a crucial role across borders in all countries. On a scale from 0 (no priority) to 7 (highest priority), age, culture and disability also achieved average values of 4 or even 5 (see fig. 4). Religion and sexual orientation are of secondary importance. By choosing the term “importance” when wording the question, great care was taken to avoid any negative connotation in connection with diversity or any of the dimensions; they were to be seen as neutral phenomena.

A comparison between the results of each country shows that companies in all other countries rate culture higher than German companies. This shows that the issue of cultural diversity does not receive the same attention in Germany as in other countries, even though a share of 8.8 percent<sup>3</sup> foreign nationals in the total population and the current discussion about migration and equal opportunity legislation would lead to a different conclusion.

A further conclusion to be drawn from these results is that diversity and its treatment must be considered under different aspects from context to context, i.e. diversity management should be adjusted, accordingly, a requirement also stipulated by Stuber (2004). This means that each company is required to develop a needs-oriented concept of diversity management in accordance with the respective national framework and the local community.

**Figure 4:** Importance of diversity dimensions according to regions  
(Scale of 0 (no priority) to 7 (highest priority))



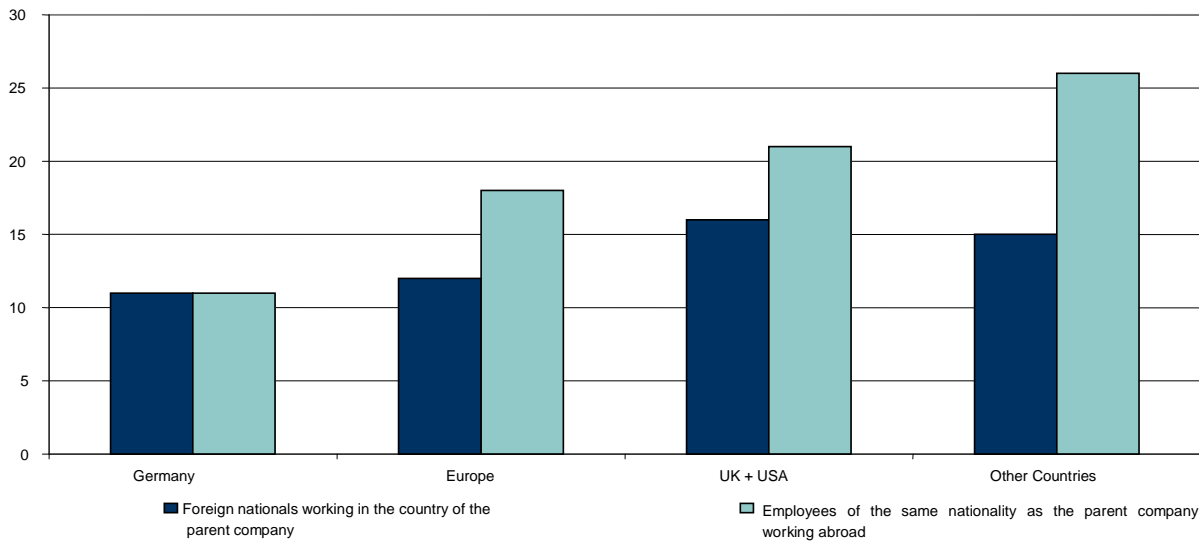
<sup>2</sup> The Racial Equality Directive, 2000/43/EC, and the Employment Equality Directive, 2000/78/EC

<sup>3</sup> As of 2005 according to the Federal Statistical Office Germany (2006)

## How culturally diverse are the workforces?

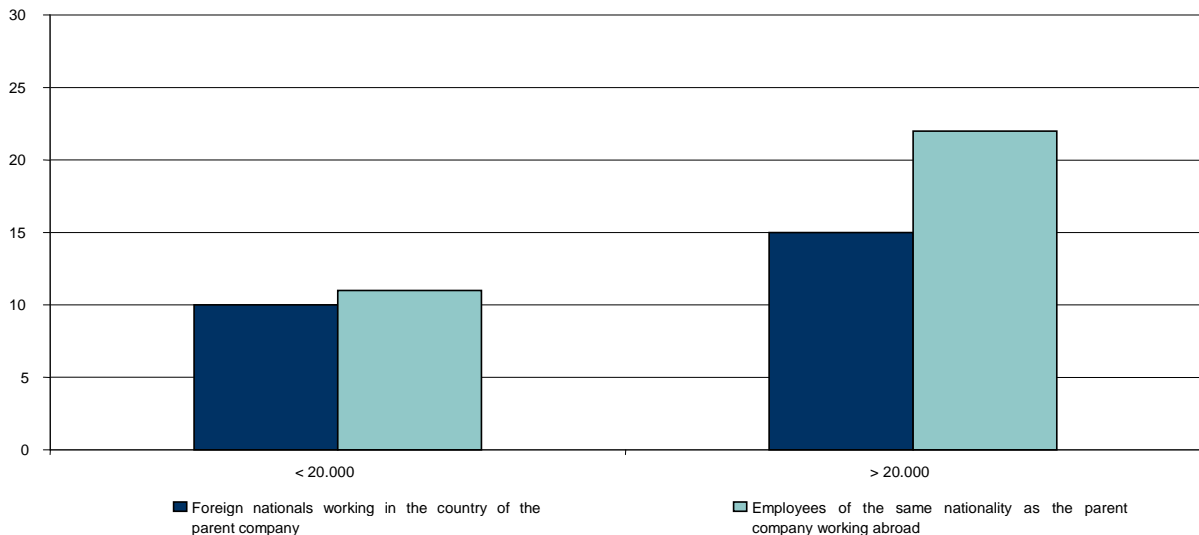
As the present study is focussing on cultural diversity, the questionnaire also asked the question, how diverse the national and international workforces of the companies interviewed actually were regarding their cultural affiliation. The answers are remarkable in so far as they show that German companies have the smallest share of foreign nationals working in Germany and German nationals working abroad (11 percent each). The percentages in all other countries are higher (see fig. 5) This explains, at least partly, why culture as a feature of diversity gets such a low rating, as shown in the passage above.

**Figure 5:** Cultural diversity in companies (in percent according to region)



A further result worth mentioning is that big companies, regardless of nationality, employ more international staff than smaller companies (see fig. 6). For the purpose of this survey, big companies are defined as companies with more than 20 000 staff.

**Figure 6:** Share of culturally diverse staff in companies (in percent according to company size)



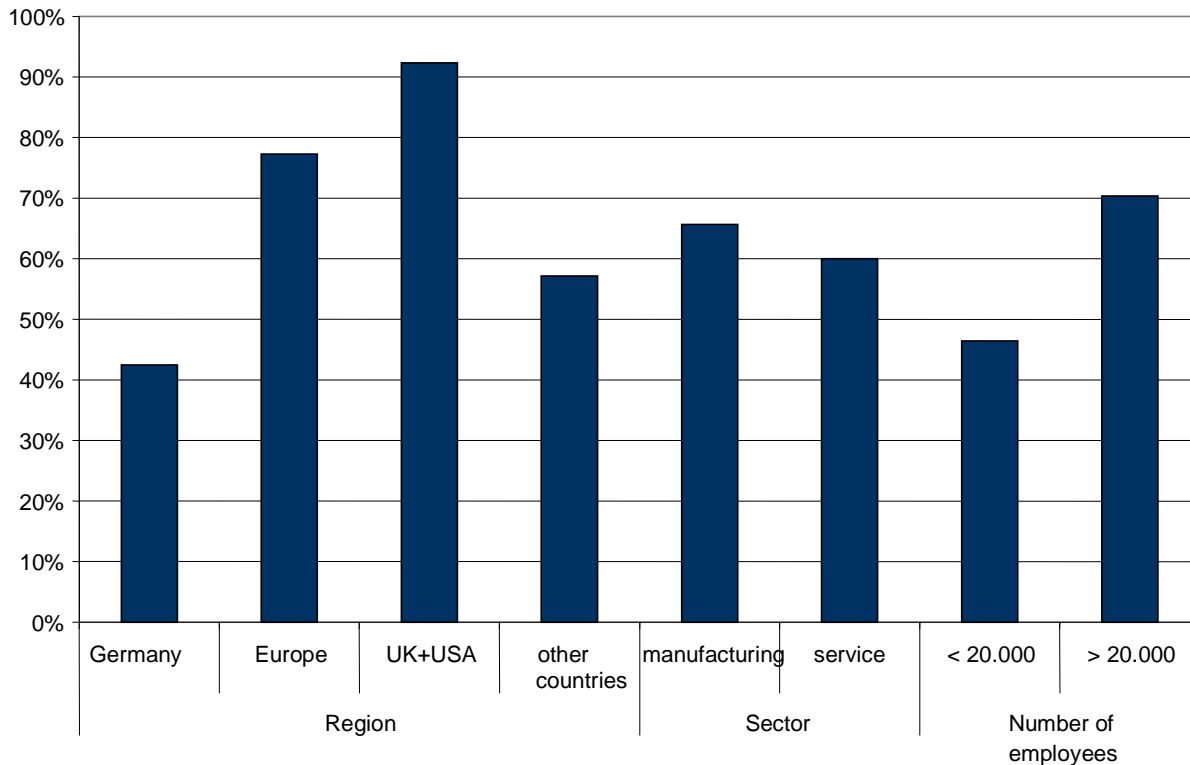


## How widespread is cultural diversity management?

In accordance with the weighting and the occurrence of cultural diversity it is hardly surprising that German companies practise very little cultural diversity management when seen in an international comparison: 44 percent of the German companies stated that they applied cultural diversity management, compared with 75 percent of European companies and 92 percent of US American / British companies (see fig. 7). In this context attention has to be drawn to the fact that social desirability and voluntary participation in the survey respectively may have influenced the data compiled so that the figures will probably be higher than the real average; another point that needs to be borne in mind is that legal regulations in the USA make (cultural) diversity management compulsory for US companies. Furthermore, the term “apply” will have to be clarified, which will be done in a later paragraph. For comparison: in their survey Süß / Kleiner (2005) found a share of 38.5 percent of German companies applying diversity management.

In addition, a slight difference can be detected between companies from the manufacturing and the service sectors, with a higher percentage of cultural diversity management in the manufacturing sector. A considerable gap, on the other hand, can be perceived between small and big companies: 69 percent of companies with more than 20 000 employees practise cultural diversity management, as against only 44 percent of companies with less than 20 000 employees by contrast.

**Figure 7:** Distribution of cultural diversity management (in percent)



## What are the benefits of cultural diversity and cultural diversity management?

Whether cultural diversity management comes into play at all largely depends on whether it is regarded as beneficial or not. Therefore the benefits companies associate with cultural diversity and cultural diversity management were explicitly investigated. For this purpose, a total of 14 items were condensed to four dimensions on the basis of a factor analysis (see fig. 8). The resulting clusters were: demographic constraints, customer orientation and market access, cooperation and international success as well as conflict reduction and satisfaction. Items 2, 6 and 7 were not taken into consideration, as they did not allow a conclusive reading – the influence of legal requirements or image and recruitment potential respectively can unfortunately not be measured in this way. The dimensions confirm the perspectives of Ely / Thomas (2001), who distinguish companies into:

- those practising diversity management for reasons of fairness (discrimination-and-fairness perspective),
- those setting their sights on market access when employing staff with a different cultural background (access-and-legitimacy perspective ) and
- those aiming at stimulating and promoting learning (learning-and-effectiveness perspective).

**Figure 8: Benefits of cultural diversity in dimensions**

No	Item	Dimension
1	Cultural Diversity has no advantage, but arises inevitably for demographic reasons.	Demographic constraints
3	The needs of heterogeneous target groups can be met more effectively by members of their own cultural background.	Customer orientation and market access
4	Foreign markets could be serviced more easily by employees out of those countries.	
5	Local employees are better able to develop products according to local needs.	
8	By employing a culturally diverse workforce, the company can position itself as a global player.	Cooperation and international success
9	Intercultural competence will be increased as the result of the daily interaction of a cultural diverse staff.	
12	A cultural diverse staff provides more perspectives and experiences, enhancing creativity and problem solving competence.	
13	Cultural diverse project teams are more effective in solving international tasks.	
14	A cultural diverse staff advances the corporate culture through novel patterns of thought and behaviour.	Conflict reduction and satisfaction
10	The cost of conflicts caused by cultural differences will be reduced.	
11	Staff satisfaction is increased.	
2	Cultural Diversity Management fulfils legal requirements with respect to equal opportunities.	
6	In recruiting staff, the company can employ experts from other countries.	
7	Cultural Diversity Management enhances the image of the company and its recruiting potential.	

On a five-step rating scale (ranging from “fully applies” to “does not apply at all”, see fig. 9) the companies polled stated in how far the items applied to them. In this rating, cooperation and international success were seen as the most important benefits of cultural diversity and cultural diversity management across all countries, sectors and company sizes: development of intercultural competence, increased creativity through taking advantage of different perspectives, improved performance in international assignments through integrating experts with international

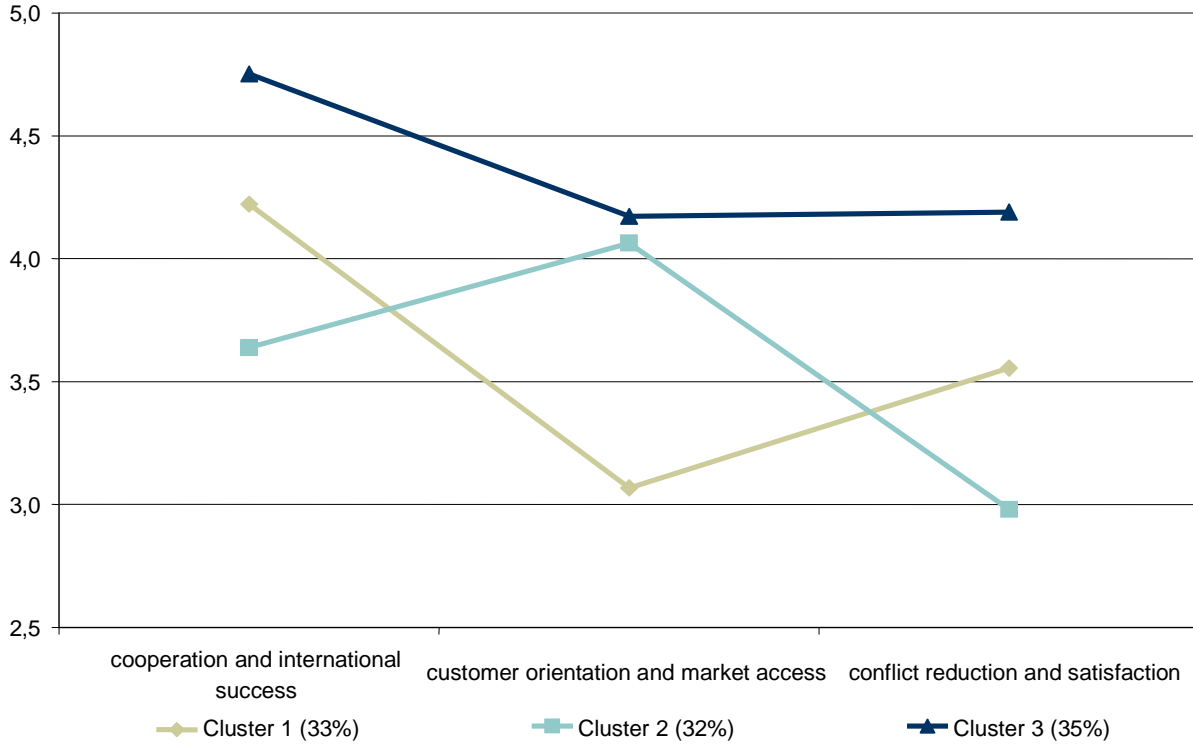
and local knowledge and thus an eventually increased international reputation point to the fact that the *learning-and-effectiveness perspective* is the most wide-spread perspective. As regards the second biggest benefit, German and US American / British companies differ: in the rating of German companies customer orientation and market access take precedence, in the rating of US American / British companies, by contrast, conflict reduction and satisfaction. This could be explained by the more powerful socio-political background influencing the situation in the USA and Great Britain, which has a strong effect on the *discrimination-and-fairness perspective*, an assumption borne out by Göbel (2003). German companies seem to be more results-oriented in their thinking and the *access-and-legitimacy perspective* ranks in the second place. This finding supports the assumption put forward by Sepehri (2002) that there is a correlation between the notion of managing diversity and the cultural diversity of the workforce: the lower the degree of cultural diversity in the workforce, the greater the tendency towards economic results orientation. Admittedly German companies also account for the biggest share of companies seeing cultural diversity as the result of demographic constraints which do not provide any further benefit. To complement the picture, a cluster analysis was carried out (see fig. 10) which shows that some companies may take all three perspectives (35 percent), but most of them polarise and give precedence to either customer orientation and market access (32 percent) or to cooperation and international success (33 percent).

**Figure 9:** Evaluation of benefit dimensions in mean values

(5 = complete agreement; 1 = complete disagreement)

	Cooperation and international success	Customer orientation and market access	Conflict reduction and satisfaction	Demographic constraints
Germany	4.2	4.1	3.6	2.9
Europe	4.3	3.4	3.4	2.4
UK + USA	4.3	3.6	4.0	2.1
Other countries	4.1	3.7	3.6	2.4
Manufacturing	4.2	3.7	3.7	2.3
Service	4.2	3.8	3.5	2.7
< 20.000	4.1	4.0	3.4	2.8
> 20.000	4.3	3.7	3.7	2.4
Total	4.2	3.8	3.6	2.5
SD	0.65	0.72	0.74	1.15

**Figure 10:** Cluster analysis based on the three benefit dimensions



**Where are the difficulties in cultural diversity management?**

Benefits are not the only aspect playing a role in the decision to implement a management tool, costs and expenses have to be considered as well. Therefore the survey also collected data on the difficulties and obstacles companies face on introducing cultural diversity management.

**Figure 11:** Problems of cultural diversity management in dimensions

No	Item	Dimension
1	Stressing cultural differences is not in line with the living corporate culture.	Contradiction to corporate culture
2	Orientation on cultural diversity distracts from performance criteria.	
5	Its introduction is too little accepted by middle and lower management.	Problems of acceptance
6	Management and staff need to be sensitised for this topic.	
7	The introduction of new systems or activities causes high costs.	Complexity and costs
8	Operational processes tend to become highly complex and cumbersome.	
4	Cultural diversity is relevant for only very few sectors.	Problems of implementation
10	So far, there are no experiences with managing cultural diversity.	
11	A practical procedure to introduce cultural diversity management is not available.	
12	Tools to apply cultural diversity management are not known or available.	
3	The management expects too little benefit.	
9	Leadership is more difficult due to intercultural barriers and / or language difficulties.	

Twelve items were amalgamated to identify four problem dimensions: contradiction to corporate culture, problems of acceptance, complexity and costs as well as problems of implementation (see fig. 11). The item most often seen as a problem is acceptance – in almost all countries, sectors and

company sizes respondents ticked off “partial agreement” (see fig. 12). It seems that the benefits of cultural diversity have not filtered through yet – communication and persuasion are still being called for.

A comparison between Great Britain / USA and Germany shows that the Anglo-Saxon countries encounter much fewer implementation problems, as these countries tend to have concrete tools and thus experience in using them. This can probably be ascribed to the fact that diversity management has been applied in Great Britain and the USA in particular for a much longer period of time. But a comparison with other regions also shows that the difficulties get a much higher rating in Germany than in other countries.

**Figure 12:** Evaluation of the problem dimensions in mean values

(5 = complete agreement; 1 = complete disagreement)

	Problems of implementation	Complexity and costs	Problems of acceptance	Contradiction to corporate culture
Germany	2.9	2.7	3.0	2.7
Europe	2.5	2.5	3.3	2.2
UK + USA	1.6	2.4	2.9	2.6
Other countries	2.5	2.5	3.0	2.5
Manufacturing	2.2	2.4	3.0	2.3
Service	2.7	2.7	3.1	2.6
< 20.000	2.7	2.7	3.0	2.5
> 20.000	2.4	2.5	3.1	2.5
Total	2.5	2.6	3.1	2.5
SD	1.05	0.79	0.86	0.89

If benefits and costs are placed side by side, the companies give a much higher rating to the benefit dimension – almost across the board by one or two points on the scale. According to these data, each company should therefore be convinced of cultural diversity management and apply it – but as outlined in the paragraphs above, this is only true for 44 percent of German companies. This allows of two possible explanations: the company representative interviewed (often a member of the human resources department who has been put in charge of this topic) acknowledges the relevance of diversity management, but the top management does not, so that the desire to do something remains limited to the operational level. The other explanation would be social desirability, which would have to be treated much more critically: if company representatives consider diversity management advisable for reasons of political correctness, they will only pay lip service to the idea, and not only in this survey but also regarding its real-life implementation.

## What does “applying diversity management” mean?

Finally the question has to be raised what company representatives mean when they state that they apply cultural diversity management. On the one hand the survey investigated in how far cultural diversity management is anchored in management systems, and on the other hand it tried to establish which concrete tools are used.

Descriptions of management systems distinguish between the classical functions of providing products and services and cross-sections acting as interface across functions. Figures 13 and 14 show how firmly diversity management is anchored in Great Britain and the USA. In areas like human resources management and public relations diversity management is 100 percent operationalised, even in relatively technical areas like supply chain management and production systems it is at least partially applied in 67 percent of the companies polled. That diversity management is an HR-driven topic in Europe and Germany as well can be concluded from the very high rate of 90 percent in these countries, too. In Germany strategy processes and marketing show particularly high figures – this may be interpreted as further evidence that the strategically pushed aspect of market access acts as a motor for cultural diversity management.

In addition, a comparison between the manufacturing and the service sector shows that manufacturing companies excel in the field of diversity management, while it is less firmly anchored in the systems of the service industry. This time no structural differences can be discerned between big and small companies.

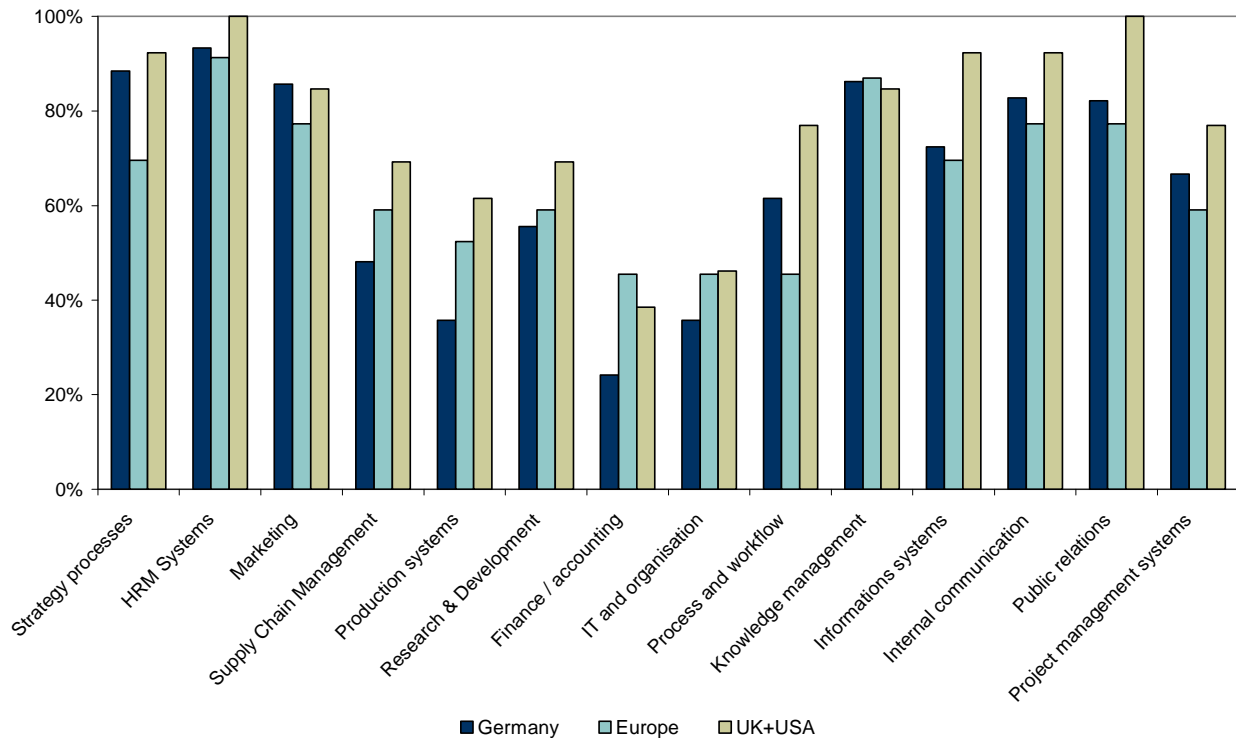
### Figure 13: Management systems where cultural diversity is anchored in the system (tabular form)

(Respondents stated whether cultural diversity management is anchored in the areas listed below by rating them on a scale of “fully applies,” “largely applies,” “partially applies,” “does rather not apply” and “does not apply at all.” The table consolidates all statements which at least partially agreed, i.e. where respondents ticked off “partially applies” or higher ratings.)

	Germany	Europe	UK + USA	Other countries	Total
<b>Functions</b>					
Strategy processes	88%	70%	92%	64%	79%
HRM systems	93%	91%	100%	79%	91%
Marketing	86%	77%	85%	86%	83%
Supply chain management	48%	59%	69%	50%	55%
Production systems	36%	52%	62%	43%	46%
Research & development	56%	59%	69%	43%	57%
Finance / accounting	24%	45%	38%	36%	35%
IT and organisation	36%	45%	46%	57%	44%
<b>Cross-functional areas</b>					
Process and work flow	62%	45%	77%	50%	57%
Knowledge management	86%	87%	85%	50%	80%
Information systems	72%	70%	92%	79%	76%
Internal communication	83%	77%	92%	86%	83%
Public relations	82%	77%	100%	77%	83%
Project management systems	67%	59%	77%	50%	63%

	Production	Service	< 20,000	> 20,000	Total
<b>Functions</b>					
Strategy processes	90%	72%	68%	84%	79%
HRM systems	100%	86%	86%	94%	91%
Marketing	86%	82%	81%	84%	83%
Supply chain management	62%	51%	48%	59%	55%
Production systems	50%	44%	48%	45%	46%
Research & development	59%	55%	52%	59%	57%
Finance / accounting	43%	29%	41%	31%	35%
IT and organisation	38%	48%	58%	37%	44%
<b>Cross-functional areas</b>					
Process and work flow	50%	62%	56%	58%	57%
Knowledge management	80%	80%	78%	81%	80%
Information systems	73%	78%	70%	79%	76%
Internal communication	90%	80%	70%	90%	83%
Public relations	86%	81%	72%	88%	83%
Project management systems	61%	65%	54%	68%	63%

**Figure 14:** Management systems where cultural diversity is anchored in the system (bar chart)



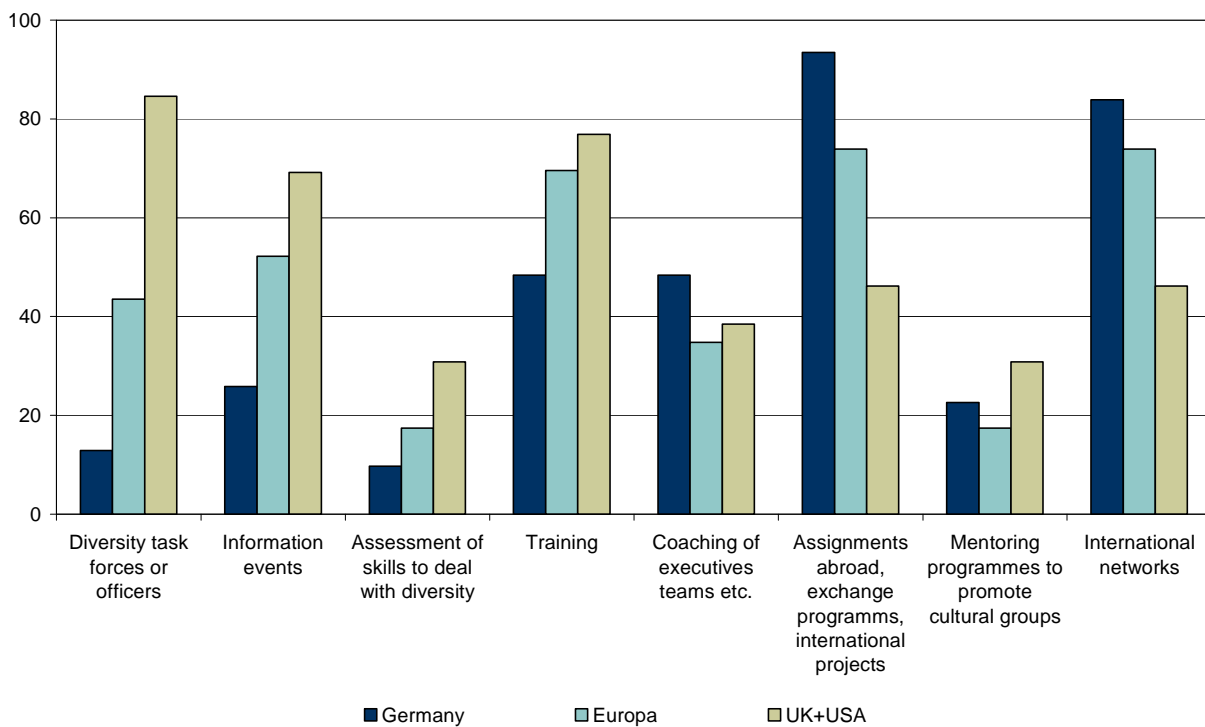
As regards the tools, simple “yes” – “no”-questions were asked to find out whether certain tools were used on the team and staff levels. The results have been summarised in tabular form in figure 15 and in form of a bar chart in figure 16. An analysis of the results shows that Great Britain / USA have structurally institutionalised cultural diversity management much more strongly: diversity officers, information events and trainings ensure the creation of an environment in which the existing resources can be utilised. The approach to anchor the correct attitude in the corporate culture is addressed by another paper of the Bertelsmann Foundation (Köppel 2007) which looks into the creation of a *global mindset* as basis for cultural diversity management. For in Germany *learning by doing* seems to play the predominant role, where contact with colleagues from another culture is more of a side effect in the wake of assignments abroad (in 93.5 percent of the

companies surveyed) and in networks (83.9 percent), but is never systematically accompanied – at just under 50 percent training and coaching are also-rans. This gap shows clearly that too little attention is paid to the fact that contact by and in itself is not able to create the necessary intercultural competence, but on the contrary may further the development of stereotypes and rejection. The contact hypothesis formulated by Allport (1954) already suggested that a favourable general framework has to be in place for contacts to lead to intercultural learning and a fruitful co-operation.

**Figure 15:** Tools applied in cultural diversity management on team and staff level (tabular form)

	Diversity task forces or officers	Information events	Assessment of skills to deal with diversity	Training	Coaching of executives teams etc.	Assignments abroad, exchange programmes, international projects	Mentoring programmes to promote cultural groups	International networks
Germany	12.9%	25.8%	9.7%	48.4%	48.4%	93.5%	22.6%	83.9%
Europe	43.5%	52.2%	17.4%	69.6%	34.8%	73.9%	17.4%	73.9%
UK + USA	84.6%	69.2%	30.8%	76.9%	38.5%	46.2%	30.8%	46.2%
Other countries	41.7%	33.3%	25.0%	41.7%	58.3%	75.0%	41.7%	50.0%
Manufacturing	38.7%	32.3%	19.4%	77.4%	51.6%	80.6%	22.6%	74.2%
Service	37.5%	47.9%	16.7%	45.8%	39.6%	75.0%	27.1%	66.7%
< 20.000	18.5%	22.2%	11.1%	40.7%	37.0%	92.6%	18.5%	77.8%
> 20.000	48.1%	51.9%	21.2%	67.3%	48.1%	69.2%	28.8%	65.4%
Total	38.0%	41.8%	17.7%	58.2%	44.3%	77.2%	25.3%	69.6%

**Figure 16:** Tools applied in cultural diversity management on team and staff level (bar chart)





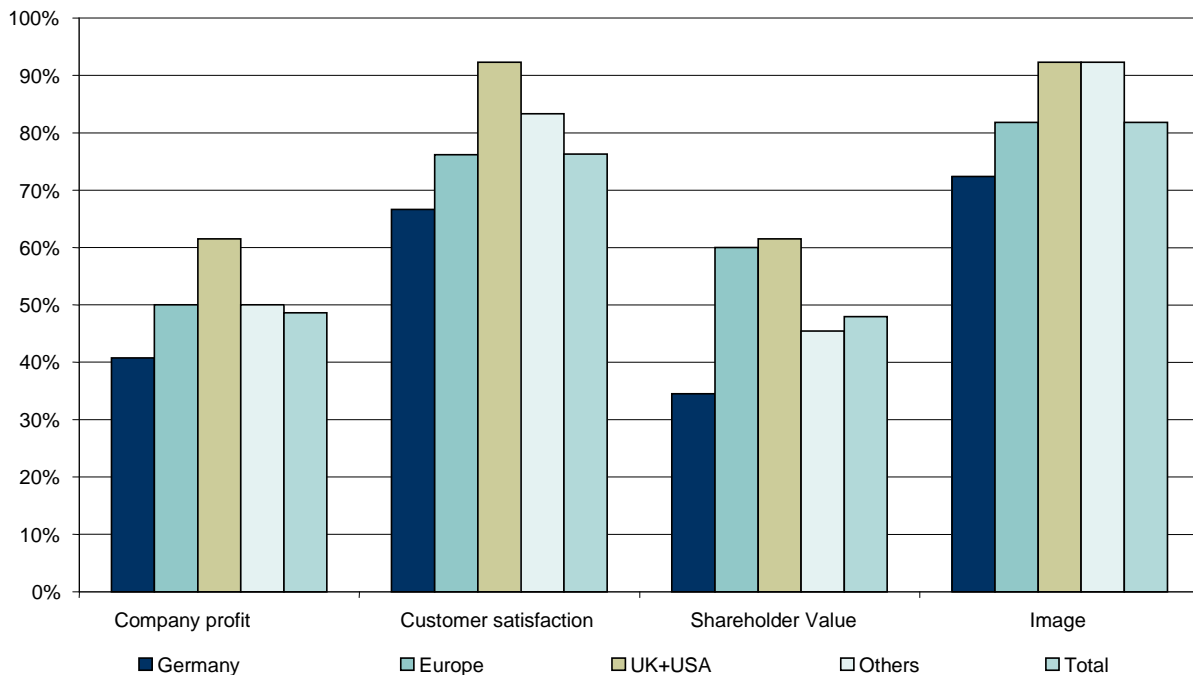
## How does cultural diversity influence corporate success?

In order to get to the bottom of the question whether cultural diversity management is practised for socio-political reasons or rather for considerations of economic gain, the questionnaire finally also raised the subject of the influence of cultural diversity on corporate success. For this purpose corporate success was subdivided into the four categories company profit, customer satisfaction, shareholder value and image. Surprisingly there is a high rate of agreement on the statement that the implementation of cultural diversity will influence at least one of the success factors mentioned in the future (see fig. 17) – again in contradiction to the fact that more than half of the German companies do not practise it at present.

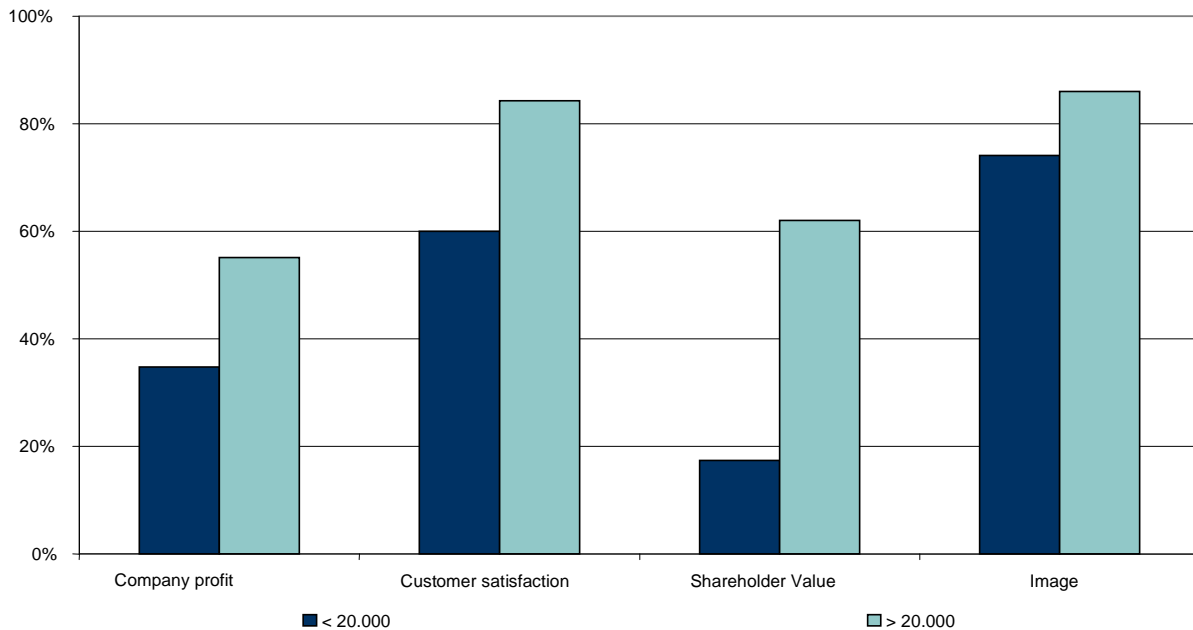
It is also noticeable, however, that companies in all other regions perceive the positive effect more clearly than German companies, with the highest degree of agreement in the USA / Great Britain. So confidence in the effectiveness of cultural diversity is less widespread in Germany than in its country of origin. A further clear tendency becomes apparent in the more intense effect on the soft factors customer satisfaction and image as against a less intense effect on the hard factors company profit and shareholder value. Thus 72 percent of German companies state that the image improves, 67 percent that customer satisfaction increases; 41 percent see improvements in company profits, 34 percent in shareholder value.

**Figure 17:** Future impact of cultural diversity (according to region)

(Respondents stated what influence the implementation of cultural diversity will have on the company in future by rating it on a scale of “fully applies,” “largely applies,” “partially applies,” “does rather not apply” and “does not apply at all.” The table consolidates all statements which at least largely agreed, i.e. where respondents ticked off “fully applies” or “largely applies.”)



This time there are almost no differences between the manufacturing and the service sector. Big companies, however, make a much more positive assessment of the influence of all four factors on the success of the company than smaller ones. The particularly wide discrepancy regarding shareholder value may be due to the fact that small companies tend to be family owned so that no shareholder interest needs to be served.

**Figure 18:** Future impact of cultural diversity (according to company size)

Following an OLS regression a significant link can be seen between the fact whether a company sees cultural diversity as a beneficial factor for cooperation and international success (see benefit dimensions above) and the positive impact on the company profit. Companies regarding cultural diversity as a consequence of demographical constraints cannot see a positive impact on the company profits either. The benefit dimensions customer orientation and market access as well as conflict reduction and satisfaction have no connection to the company profits. These statements apply across all regions, sectors and company sizes.

A connection between the benefit dimension cooperation and international success can also be stated for customer satisfaction and image, not for shareholder value, though.

The higher level of intercultural competence, increased creativity and problem-solving competence, improved handling of international questions and an advanced corporate culture seem to be the factors promoting a company from a competitive point of view.

## 4 Germany's need to catch up

The realisation that cultural diversity management in Germany is lagging behind in an international comparison applies across all statements collected in this survey. It is self-evident that this is caused by the fact that German workforces seem not to be as internationally structured as those in other countries (see section on "How culturally diverse are the workforces?"). "Seem" is the operative word in this context, as this assessment is probably due to an error of judgement on the part of the companies, since Germany is the European country with the highest proportion of foreign nationals in its population, after Austria and Luxembourg (see fig. 19).

**Figure 19:** Foreign nationals in European countries

Country	in 1,000	in percent of the population
A	764.3	9.4
B	846.7	8.2
D	7,318.6	8.9
DK	266.7	5.0
E	1,109.1	2.7
F	3,263.2	5.6
FIN	98.6	1.9
GR	762.2	7.0
I	1,362.6	2.4
IRL	151.4	3.9
L	166.7	37.5
NL	690.4	4.3
P	223.6	2.2
S	476.0	5.3
UK	2,587.0	4.4

Source: Institut der Deutschen Wirtschaft, 2004

This contradiction is the crux at the heart of cultural diversity management: from the point of view of company managers there is no need for this tool, so they do not use it and the factor cultural diversity does not develop its true economic potential. Consequently none of the parties concerned can identify a special benefit and corresponding effect on corporate success. This is the reason why cultural diversity as well as its potential as company resource are often disclaimed. If staff from a different cultural background are actually appreciated and assigned at all, then this is predominantly aimed at serving foreign customers and markets – their integration into the company and a true cooperation are neglected. In addition, decision-makers in companies rather associate high costs and difficulties with introducing cultural diversity management, more so than their colleagues in other countries. Furthermore the workforce is not prepared for dealing with cultural diversity, it is expected that the parties concerned will find their bearings without recourse to outside support on the “learning by doing”-principle. Decision-makers in German companies do not realise that a constructive environment is required for taking advantage of cultural diversity and that conflict reduction and satisfaction as likely as not also play a role in this environment. As soon as cultural diversity is seen as a result of demographic constraints, the opportunity to gain not only a human but also an economic added value is missed.

## 5 Conclusions

Despite the general need to catch up, single trailblazers can be identified in German business environment, who practise excellent cultural diversity management and produce successes. In cooperation with representatives of these companies and with representatives of international precursor companies the project “Corporate culture in global interaction” initiated by the Bertelsmann Foundation will collect further evidence in proof of the economic profitability of cultural diversity management, in order to demonstrate its significance and purpose. In addition, interested

companies still doubtful whether it can be implemented in their particular case will be shown by means of best-practice examples which tools and approaches they may draw on.

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