



# Diversity and Its Impact on the Performance of an International Organization

## Master Thesis

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- GRÜTZMACHER, Christoph, 2017. *What are diversity and diversity management?* GRIN Verlag. ISBN 978-36-686-8547-5.
- MACHADO, Carolina and Paulo J. DAVIM, 2017. *Managing Organizational Diversity: Trends and Challenges in Management and Engineering*. Springer. ISBN 978-3-319-54923-1.
- MOR BARAK, Michalle E., 2016. *Managing Diversity: Toward a Globally Inclusive Workplace*. SAGE Publications. ISBN 978-1-4833-86126.
- PROQUEST, 2021. *Databáze článků ProQuest* [online]. Ann Arbor, MI, USA: ProQuest. [cit. 2021-09-22]. Dostupné z: <http://knihovna.tul.cz>

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## **Anotace**

Tato práce se zabývá hledáním způsobu, jak plausibilně měřit diverzitu a její vliv na výkonost podniku. Jelikož tento vliv je významně ovlivněn inkluzí, zabývá se studie možnými řešeními, jak tyto dvě proměnné posoudit ve vztahu k výkonnosti. Obsaženy jsou příklady tří společností a jejich přístupu k této problematice. Obsažené kapitoly se intenzivně zabývají tématy, jak měřit finanční a nefinanční výkonost podniku a jaký vliv na toto měření má druh organizace. Kvantitativní výzkum následně hledá důkazy o pozitivním vztahu mezi množstvím žen v představenstvu společnosti a finanční výkonnosti společnosti (ROA). Žádné důkazy o pozitivním vztahu použítá korelační analýza neprokázala. Obě dodatečné hypotézy testující, zda jsou ženy zastoupeny v představenstvu čím dál více a zda jsou v této problematice progresivnější západní nebo východní společnosti, byly potvrzené a dokazují, že žen je v představenstvu v průběhu let více a že západní kultura má větší zastoupení žen v představenstvu. Nakonec jsou předloženy návrhy, jak by měla firma přistupovat k evaluaci problematiky diverzity ve vztahu k výkonnosti a jak tyto veličiny měřit.

## **Klíčová slova**

Diverzita, inkluze, sex diversity, představenstvo, automotive, korelační analýza, ANOVA

## **Annotation**

This thesis aims to find a way to measure diversity and its impact on business performance plausibly. As this effect is significantly impacted by inclusion, the study discusses possible solutions to assess these two variables in relation to performance. Examples of three companies and their approach to this issue are included. The contained chapters deal intensively with how to measure the financial and non-financial performance of a company and what influence the type of organization has on this measurement. Quantitative research then looks for evidence of a positive relationship between the number of women on the company's board of directors and the company's financial performance (ROA). This correlation analysis did not show any evidence of a positive relationship. The two additional hypotheses test whether women are increasingly represented on the board and whether Western or Eastern companies are more progressive in this matter. Both secondary hypotheses have been confirmed, proving that there are more women on the board over the years and that Western culture has a higher proportion of women on the board. Finally, proposals are presented on how the company should approach the evaluation of diversity issues in relation to performance and how to measure these variables.

## **Keywords**

Diversity, inclusion, sex diversity, executive board, automotive, correlation analysis, ANOVA



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## List of Abbreviations

ADHD	Attention deficit hyperactivity disorder
FCA	Fiat Chrysler Automobiles
IGO	International governmental Organizations
INGO	International Nongovernmental Organizations
LGBT+	Lesbian, Gay, Bisexual, and Transgender plus other
OCD	Obsessive compulsive disorder
PSA	Peugeot Société Anonyme
ROA	Return on assets
ROCE	Return on capital employed
ROE	Return on equity
ROIC	Return on invested capital

# Introduction

At the beginning of the third decade of the twenty-first century, human society faces many challenges. Diversity and inclusion are being discussed in society more than ever. The division of population is heading to a critical point where we, directly as voters or through our elected representatives, decide the fate of minorities of all kinds. The European Union faces a migration crisis associated with the occasional extreme exclusion of migrants, sometimes even on a legal level (Huemer, 2021). On the other side of the Atlantic Ocean, the Canadian government passed a law (i.e., Bill C-16) that, according to the testimonies at the Senate hearing, disrupts the fundamental right of free speech (The Standing Senate Committee on Legal and Constitutional Affairs Evidence, 2017). While some governing bodies balance the imaginative border of free speech, others do not provide even the fundamental equality in law terms, including minorities in society. The difference between individuals in communities is ever more increasing. It is often due to external factors, but there is a phenomenon of discrimination of differences with which the individual is born.

The exclusion based on race, cultural background, and other backgrounds are ever-present issues damaging our society. The problem is deeply rooted in the minds of people. Despite the efforts to promote equality and inclusion of those set aside in society, the minority still feels oppressed. One of the recent examples is the movement Black Lives Matter (Campbell, 2021).

Besides race and culture, one of the most vigorous discussions is mainly about a sex base dimension of diversities (e.g., sex, gender, sexual orientation). For example, in the Czech Republic, the LGBT+ community initiative “Jsme Fér” (in English: We Are Fair) has been trying to pass the law so that the registered partnership has the same rights as heterosexual marriage does (Hlaváčková, 2021). This initiative has been going on for several years, so far, without success. The estimates of the percentage of LGBT+ people vary differently, ranging from under 1% to over 10% of the population. Nevertheless, the general findings show that in Western cultures, on average, about 93% of men and 87% of women identify as entirely heterosexual, 4% of men and 10% of women as mostly heterosexual, 0.5% of men and 1% of women as evenly bisexual, 0.5% of men and 0.5% of women as mostly homosexual, and 2% of men and 0.5% of women as entirely homosexual (Bailey et al.,

2016). That is approximately 790 million people that do have some sexual attraction other than entirely heterosexual (calculated based on a study (Bailey et al., 2016), in absolute terms worldwide). The recent findings provide evidence that the number of LGBT+ people is increasing and will be increasing due to the exposure of the fetus to microplastics and other hormone-disrupting chemicals during various parts of pregnancy (Swan, 2021).

Diversity does not have to be just race and sex. People can be mistreated and discriminated against just because of their appearance or attractiveness. Beaver (2019) found a positive relationship between attractiveness and lighter prison sentences. The evidence suggests that more attractive persons are less likely to be processed through criminal justice. Even if they are found guilty, they tend to receive lighter sentences. This phenomenon might be possible to track in different environments. Since if the attractive people are usually treated better in court, it could be observable even outside the courtroom.

The following research offers a pragmatic and logical approach to diversity and inclusion. The first principles of these concepts are used to research the phenomenon of diversity. In this context, the study offers insight into the diversity in the automotive sector. It shows several examples of the company's efforts regarding diversity. Introduced is the theoretical concept of how diversity and its influence on performance should be measured. It discusses the different dimensions of diversity and describes the relationship between the performance and these dimensions. The aim is to find a standardized metric to measure diversity's influence on performance validly.

Finally, qualitative research on the relationship between diversity and performance is conducted. The study tests the three following hypotheses:

- H1 There is a positive relationship between sex diversity and financial performance.
- H2 There is a positive relationship between gender diversity and the sample year.
- H3 The companies located in the so-called western world have higher occupancy of women on the board.

# 1. Literature Review

One of the most influential studies exploring the issue of diversity in companies and organizations are the ones undertaken by consulting firms. They are usually the ones in the role of advisors; therefore, their suggestions are usually most practically influential because they are most likely to be implemented in the organization's strategy. The approach to the issue can be represented by some of the biggest firms in the industry. The first of them, Deloitte Touche Tohmatsu LLC, and its several reports (e.g., *The diversity and inclusion revolution* (Bourke and Dillon, 2018), *Diversity as an Engine of Innovation* (Paul et al., 2011)) conclude that the diversity can be beneficial in several areas. Another one, Ernst & Young, also found similar evidence in its report (e.g., *A Diversity & Inclusion survey of organizations* (McEvoy and O'keeffe, 2019)). The company McKinsey (Hunt et al., 2018) reinforces the link between diversity and company financial performance. The Boston Consulting Group repeatedly advocates that diversity increases innovation in 2017 (Lorenzo et al., 2017) and the following year (Lorenzo et al., 2018). It is critical to point out that these companies did not only conduct research and studies to test the hypothesis, but they also actually implemented diversity and inclusion strategies in their company's values.

The amount of scientific literature on diversity and inclusion has increased exponentially since the 1980s. The science community mostly confirms the evidence brought up by the consulting industry and vice versa. It is possible to divide the positive influence into the following categories: talent attraction and retention (Maurer and Qureshi, 2021), reputation and responsibility, innovation and group performance, and financial performance.

One of the basic principles of all studies researching diversity and performance relationships is that the diverse group performs better than the non-diverse group and that the organization's public perception improves with the company being more inclusive and diverse. The International Labour Organization (Bureau for employers' activities (ACT/EMP), 2019) reports that if companies establish an inclusive business culture, they experience a 59.1% increase in creativity, innovation, and openness and a 37.9% better assessment of consumer interest and demand. Another piece of evidence advocating the increased performance of diverse groups is that the gender diversity in teams reduces and better manages conflict (Lee et al., 2018). Harvard Business Review published an article by Reynolds and Lewis (2017) proving that Teams that include different viewpoints or thinking

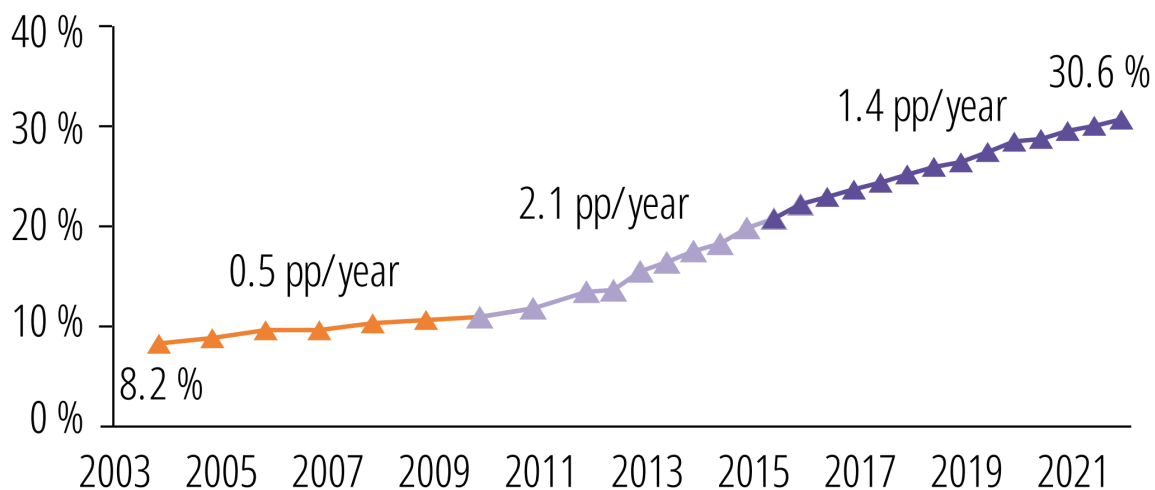
styles (cognitive) resolve problems faster. Homan (2019) lists the most critical aspects (i.e., cultural intelligence, openness to different ideas and experiences, multicultural experiences) of how organizations can utilize the benefits that diversity in teams provides.

Finally, the bottom-line benefit for the organization in the capitalist society is the financial performance. The evidence is present proving that the diversity increases financial performance in the following metrics:

- cash flow return on investment (Credit Suisse, 2019),
- earnings before interests and taxes (EBIT) margins (Lorenzo et al., 2017),
- earnings before interest, taxes, depreciation, and amortization (EBITDA) margins (Credit Suisse, 2019),
- investment performance (Gompers and Kovvali, 2018),
- market value (Credit Suisse, 2019),
- return on assets (Christiansen et al., 2016),
- return on equity (Morgan Stanley, 2019),
- return on sales (Hossain et al., 2020),
- stock returns (Holger, 2019),
- Tobin's Q (Conyon and He, 2017).

## 1.1 Sex Diversity on the Board and Its Influence on Performance

Since the qualitative research in this master thesis is focused solely on the relationship between sex diversity and financial performance, this secondary subchapter presenting the literature review targeted strictly on the researched issue is added. The latest data on gender balance in business and finance (European Institute for Gender Equality, 2022) report; “only a 3 in 10 members in large corporations in EU are women”. The brief advocates that governmental action makes a difference. Nevertheless, the data shows that the growth rate has slowed down in the last seven years, since 2015. The detail is observable on the chart below.



Picture 1: Share of women on boards of the largest listed

Source: Statistical Brief: gender balance in business and finance 2021 (European Institute for Gender Equality, 2022)

One of the first broad and significant studies is conducted by Adams and Ferreira (2009). The reason behind the influence is the project's range. Aside from the impact of gender diversity on business performance, the authors investigated the impact of gender diversity on corporate governance. With a large-scale data set on director attendance and committee assignments, the authors discovered that more women on the boards of directors valuably affect metrics that positively impact corporate governance. Women are more likely to decide to serve on monitoring committees than males, and they have a beneficial impact on the attendance of other board directors.

There have been many other studies focused on different aspects of performance. There are studies from various countries using different metrics and samples. The following table displays the overview of the different results from comparable studies to visualize the comparison better.

*Table 1: Comparison of studies investigating sex diversity and performance relationship*

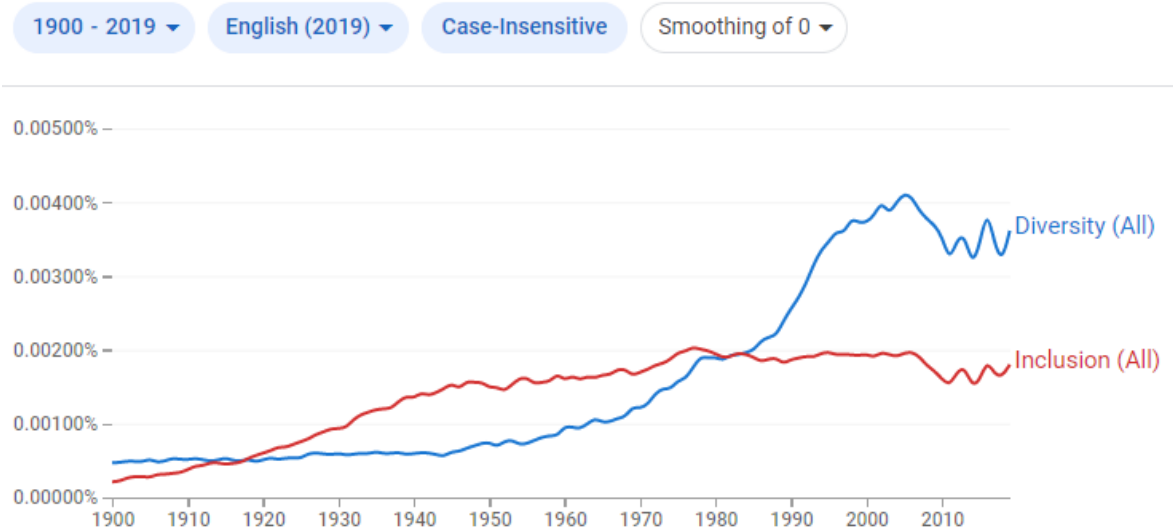
Name, Year	Country	Performance measure	Result - effect
Erhardt et al., 2003	USA	ROA	positive
Smith et al., 2006	Denmark	Tobin's Q	no
Campbell and Minguez-Vera, 2007	Spain	Tobin's Q	positive
Carter et al., 2007	USA	ROA	no
		Tobin's Q	positive
Adams and Ferreira, 2009	USA	Tobin's Q	negative
		ROA	no
Gallego-Álvarez et al., 2010	Spain	Tobin's Q and	no
Marinova et al., 2010	Denmark and Netherlands	Tobin's Q	no
Carter et al., 2010	USA	Tobin's Q	no
		ROA	no
Darmadi, 2010	Indonesia	ROA and Tobin's Q	negative
Rampling, 2011	Australia, United Kingdom, United States	EBIT and NPAT	positive
		ROA, ROE, and ROTC	no
Daunfeldt and Rudholm, 2012	Sweden	ROA	negative
Rose et al., 2013	Denmark, Sweden, Finland, Norway, and Germany	ROA, ROE, and ROCE	no
Wellalage and Locke, 2013	international	ROA and Tobin's Q	positive

Source: Created by the author, individual sources are listed in the bibliography

# 2. Theory of Diversity and Inclusion

Firs whole chapter focuses on the terms that are later being measured and monitored in the analytical part of this research paper. It goes relatively deep in the search for uniform and concrete word definitions of diversity and inclusion. The research in this work is based primarily on these two words. Therefore, the chapter places a great emphasis on the definition and meaning of these words,

The terms diversity and inclusion are being used more frequently, especially in the developed world and the so-called western societies. The authors usually use these terms in connection to corporate social responsibility in the business environment. The word diversity and inclusion usage rate has increased over the last 100 years, as shown in chart one below (Google, 2022). Regrettably, the usage of the word inclusion is weak compared to the use of the word inclusion. There has been an observable correlation in the last few years indicating the link between the fundamental definitions of the words.



Picture 2: Usage rate of the words diversity and inclusion in literature

Source: Google Books Ngram Viewer (Google, 2022)



## 2.1 Diversity

This subchapter solely focuses on the term diversity. It aims to clarify the meaning of the word diversity by studying its history and different meanings in language. The word analysis of the world serves as a notional basis for this research paper.

### Origin of the Word Diversity

The words themselves make no sense; they are just the sounds we make. A similar scenario applies to the written form of the language. Words and letters are merely pictures. The people are the ones that assign the specific meaning to the sounds and pictures based on knowledge or similarities to a familiar word (Harari, 2015).

Among etymological sources is held an opinion that the origin of the word diversity comes from Latin, specifically from the words “dis”- (aside) and “vertere” (to turn). Together they form the word “divertere” (to turn in different directions), later “diversitatem” (Contrariety, contradiction, disagreement, difference, diversity). Subsequently, the French language formed the expression “diverseté” (difference, diversity, unique feature, oddness, wickedness, perversity). The understanding of perversity, perverseness, and conflict with what is appropriate or proper has existed in English since the late 14<sup>th</sup> century. Nevertheless, later in the 17<sup>th</sup> and 18<sup>th</sup> centuries, the understanding became antiquated due to the rise of modern democracy and equality. Originally the meaning was based on the equality of political power among factions. In no sense was the word representation of diverse society (e.g., ethnicity, gender, sexual identity) as it is in the modern language. The unambiguous interpretation of the word diversity as a beneficial mixture of different dimensions of diversities dates to around 1992 (Harper, 2022).

### 2.1.1 Definition of the Word Diversity

Based on the evidence from the previous subchapter, the word diversity itself had several possible meanings in its development, and even today, there is no concrete meaning. This subchapter deals with the unification of diversity definitions for this paper. This research later uses the definition as a foundation for models.

English generally recognizes the word diversity in the 21<sup>st</sup> century language version uniformly, but no uniform definition is adopted across society, let alone in the scientific community. Various publications and dictionaries define the word diversity similarly, but unfortunately not uniformly. In the following examples, diversity can be observed even in the word's very definition.

Firstly, the paper refers to several definitions from the most conveniently available to many people due to the internet. The only condition is that the websites managed by respected institutions publish the definitions referred to in this search.

One of those institutions is the University of Cambridge, whose department, University Press, manages the Dictionary of English (Cambridge Dictionary, 2022).

- *„the fact of many different types of things or people being included in something; a range of different things or people“*
- *„the fact that there are many different ideas or opinions about something“*
- *„Diversity is also the mixture of races and religions that make up a group of people“*
- *„the fact of there being people of many different groups in society, within an organization, etc.“*

Another institution Merriam-Webster.com (2022) defines diversity as follows:

- *„the condition of having or being composed of differing elements: VARIETY especially: the inclusion of people of different races, cultures, etc. in a group or organization“*
- *„an instance of being composed of differing elements or qualities: an instance of being diverse“*

Definition by Oxford Learner's Dictionaries (2022):

- „a range of many people or things that are very different from each other“
- „the quality or fact of including a range of many people or things“

Secondly, the search mentions some more definitions from reliable book sources as follows. The selection of books derives the list from Dictionaries of English Etymology, published on the library website of The University of British Columbia (The University of British Columbia, 2021).

Definition by The Barnhart Dictionary of Etymology (Steinmetz, Barnhart, 1988):

- „**diverse** *adj.* About 1300 *diverse* separate, distinct; later, various, varied (before 1333, Shoreham's poetry); a variant of *divers*. The final -e may have been added by analogy with *converse*, *travers*, etc.“
- „**diversify** *v.* 1481, in Caxton's translation of *The Mirror of the Word*; borrowed from Middle French *diversifier*, from Medieval Latin *diversificare* to render unlike, from *diversus*“
- „**diversity** *n.* About 1340 *diversite*, borrowed from old French *diversité*, learned borrowing from Latin *diversitatem* (nominative *diversitas*), from *diversus* *diverse*“

Definition by The Oxford Dictionary of English Etymology (Onions, 1996):

„**divers** *different, diverse; (arch.) sundry, several, many* XIII. ME. *divers, diverse* - (O)F. *divers, fem. diverse* = It., Sp. *diverso* - L. *dīversus* *contrary, hostile, separate, different, prop. pp. of dīvertere* DIVERT. When *divers* became the established form in the second sense the final *s* became *z*, as in the pl. of sbs. So **diverse** *different; divers, sundry*. XIII (RGlouc.). Identical in origin with *prec.*, in later use differentiated from it in form and pronunc. (cf. *adverse, inverse*), with restriction to the sense of the orig. L. So **diversity**. XIV (R. Rolle). - (O)F. - L. **diversify**. XV. - OF. *diversifier* – medL. *dīversificāre*.“

Definition by Word origins the hidden histories of English words from A to Z (Ayto, 2005):

„**diverse** [13] *Diverse is one of a small family of English words, including also divers, divert, and divorce, which come ultimately from Latin dīvertere. This was a compound verb formed from the prefix dis- 'aside' and vertere 'turn' (source of English verse, version, vertebra, etc and related to worth), and hence meant literally 'turn aside, turn out of the way'. It*

*developed in various metaphorical directions, however. One was 'turn one's husband or wife out of the way' which, via the variant dīvortere, gave English divorce [14]. The central sense of the verb passed more or less unchanged into English, via French divertir, as divert [15], but its past participle diversus illustrates a further metaphorical strand, in which 'turned aside' has become 'separate, different'. English acquired this via Old French in the 13th century in two distinct forms: masculine divers and feminine diverse. The present-day semantic distinction between the former ('various, several') and the latter ('different') had established itself by around 1700."*

Diversity is often mentioned solely within the socio-economic environment in today's language. However, the various definitions mentioned above may appear as not unified and unapplicable across multiple fields. The definition cannot be used as a basis for research if it is not the first principle. For this reason, this paper proposes a uniform definition of diversity usable as a first principle across various fields.

Definition:

The dissimilarity of elements in the group of which these elements are part.

### **2.1.2 Measurability of Diversity**

Based on the definition, it is possible to argue about what diversity is and what is not, directly affecting how diversity is measured. There are different sets of dimensions of individual diversity, including one introduced by (Hubbart, 2004). Since there is an uncountable number of other dimensions of diversity mentioned in other resources, stating if the group is diverse or not is impossible (e.g., a group can be diverse in accent and culture but not in language)

To be exact, measuring the diversity must be related to a specific dimension of diversity, not as a whole (e.g., percentage of females in a group). Once we add another type of diversity, the calculation is not concrete because there is no universal formula that weights each dimension of diversity accordingly. Therefore expressing the level of diversity by one single variable is inconceivably complex. Therefore, a single variable describing diversity level is valid only for describing a specific dimension of diversity, such as sex.

The weight of diversity could be theoretically possible for a specific environment; some dimensions of diversity could have a more significant impact in an environment where patterns and studies prove that the higher the specific dimension of diversity is, the better the group performs. Theoretically, observing the difference between the population distribution (i.e., on state, union, or global level) and sample distribution (i.e., organization) could provide plausible values. This fact makes measuring diversity as a single variable possible but with a wide variety of limitations. The number of data needed for such a study is enormous and, in many cases, would be very hard to obtain since the data are very personal and sensitive.

Some studies referred to in the literature review tried to build models that include several dimensions of diversity; these models usually weight all diversities equally or use regression analysis. Again, these calculations bring up the problem, i.e., how vital each diversity is? What if the diversity of sex is more influential than the cultural diversity or that the age diversity is more significant than gender? In the regression analysis studies, the problem is the expression of categorical variables in the regression analysis.

In conclusion, the different dimensions of diversity could have different significance in different environments. If we know the environment and how significantly each dimension of diversity influences this specific environment, then, in theory, the singular metric of diversity as a whole is possible to calculate for the specific environment.

## **2.2 Inclusion**

The following subchapter resembles the previous subchapter about diversity. However, this subchapter analyzes the word inclusion. It examines the various definitions of this term and tries to unify the meaning and the word definition. The whole work is later subsequently based on the first chapter's principles.

### **Origin of the Word Inclusion**

The word inclusion described in this chapter has a more concrete and definite meaning than diversity. The word's origins are based in Latin, as it usually is for the European language. From the Latin “inclusionem” a shutting up does not have a pretty positive meaning at its root. The word evolved to today's form, “inclusion” (an act of making a part). The modern meaning of the word dates to around 1839 (Harper, 2022)

### 2.2.1 Definition of the Word Inclusion

The definition of inclusion faces similar problems as the definition of diversity. In some cases, the definitions of these terms even overlap. This subchapter uses the same methodology, principles, and sources to search for definitions as the previous subchapter about diversity.

Definition by Cambridge Dictionary (2022):

- *„the act of including someone or something as part of a group, list, etc., or a person or thing that is included“*
- *„the idea that everyone should be able to use the same facilities, take part in the same activities, and enjoy the same experiences, including people who have a disability or other disadvantage“*

Definition by Merriam-Webster.com (2022):

- *„the act of including : the state of being included“*
- *„something that is included: such as“*
- *„the act or practice of including students with disabilities with the general student population“*
- *„the act or practice of including and accommodating people who have historically been excluded (as because of their race, gender, sexuality, or ability)“*

Definition by Oxford Learner's Dictionaries (2021):

- *„the fact of including somebody/something; the fact of being included“*
- *„the fact or policy of providing equal opportunities and resources for people who might otherwise not get them, for example people who are disabled or belong to minority groups“*



The same set of book sources is again used while defining the word inclusion.

Barnhart Dictionary of Etymology (Steinmetz, Barnhart, 1988):

- „**include** v. 1402 *includen to conceal or hide; later, to compromise or contain (before 14520, in Lydgate’s Troy Book); borrowed from Latin includere (in. in ; claudere to shut, CLOSE)”*
- „**inclusion** n. 1600, *probably formed from English include ; -sion, on the model of Latin inclusionem (nominative inclusion) a shutting up, from includere include. It is also possible that inclusion was borrowed from French inclusion.”*
- „**inclusive** adj. 1594, *in Shakespeare’s Richard III, probably re-formed from English include; -ive, on the model of medieval Latin inclusivus, from Latin includere. Inclusive is recorded earlier as an adverb meaning inclusively (1443); borrowed from Medieval Latin inclusivus.”*

Definition by The Oxford Dictionary of English Etymology (Onions, 1996):

„**include** in- shut in; comprise. So **inclu** SION. XVI. – L, **inclu**-SIVE XVI (Sh.); in quasi-adv. use ('from Monday to Saturday inclusive') xvI, based on med L. adv. *inclūsivē*.”

Definition by Word origins the hidden histories of English words from A to Z (Ayto, 2005):

„Include. The idea of ‘shutting in’ or ‘enclosure’ is etymologically central to include – indeed, it is virtually the same word as enclose. It was borrowed from Latin *inclūdere*, a compound verb formed from the prefix *in-* and *claudere* ‘shut’ (source of English *close*). (A probable Vulgar Latin descendant of *inclūdere* was *\*inclaudere*, which passed into Old French as *enclore*. English took over its past participle *enclose* as the verb *enclose* [14].) The metaphorical sense ‘comprise’ was already developing in classical Latin.“

Similarly, as in the subchapter about diversity, the universal definition is presented to be used as the first principle of this study.

Definition:

The capability of elements in the group to always accept other dissimilar elements in the group as an equal part of the group, without any motive to change or inhibit the dissimilarity of other elements.

## 2.2.2 Measurability of Inclusion

The expression inclusion is an abstract concept. While previously mentioned diversity is exact, it is possible to measure it based on yes/no, numerical, categorical principles (e.g., 20 years old – young, 60 years old – old), inclusion is less concrete. Several studies used qualitative research while trying to measure inclusion. (Harvard University, 2019). Qualitative studies tend to be very limited because no one guarantees the rightness of each answer.

Unfortunately, there is no other way to measure inclusion; qualitative research is the only approach that is at least able to outline the inclusion of participants in the community. Authors usually use questionnaires and ask several questions (Ellsworth, 2021). The questions tend to follow patterns, which include the following principles as a foundation, i.e.:

- Authenticity – being accepted for being yourself,
- Belonging – connection with others, being part of a social group,
- Fairness – everyone is treated equally,
- Integrity - respecting and valuing each other's opinions,
- Trust – communication throughout the company is honest and open,
- Safety – physical and psychological safety in the social group.

The questionnaire sometimes contains questions focused on the organization's approach to diversity, especially management (Harvard University, 2019). Even though it could be good to know information about the organization, it does not focus on inclusion directly. The focus is only on the management, a small sample of employees. The company management can be inclusive, but since management is only a minor portion of a company, the question is non-telling.

In conclusion, inclusion is measurable only by asking questions and using answers to frame the resolution and prove or disprove the hypotheses. If the degree to which participants agree with statements or answer questions inclusively, the more inclusive the organization is.

### **3. Diversity and Inclusion in the Socio-Economic Context**

This chapter aims to structure diversity and inclusion in the social and economic context. It starts by briefly describing and analyzing history to set the basis of diversity and inclusion in society. The following subchapter focuses on a more specific economic impact of diversity and inclusion from the ethical and economic points of view. Then there is the subchapter describing the importance, reasons, and impact of diversity and inclusion in the social groups and the society. One subchapter targets the positive and negative effects since they and performance are connected. The contained subchapter also includes a brief description of diversity management.

The whole subchapter dedicates its content to the legislation surrounding the issue of diversity and inclusion. It focuses not only on the state, interstate, and international legislation but also on the internal legislation and norms of companies and non-governmental organizations. Then one part discusses the trends of companies and the outcomes of these rules.

In the last part, there are subchapters about the implementation of diversity and inclusion examples in specific international companies from one sector of industry (i.e., automotive).

### **3.1 Diversity and Inclusion in the History**

Mark Twain is the author of the famous quote: “History does not repeat itself, but it often rhymes” this saying is applicable in many social-oriented science fields. Thus, this subchapter describes the evolution of human interaction and intent to map out the historical precedents which brought us to the present state of perception of diversity and inclusion in human society.

#### **Prehistory**

The origin of the Homo sapiens is almost unanimously considered the evolution of simple organisms to more complex ones (i.e., Homo sapiens) across several million years (Darwin, 2018). All the information is embedded in our DNA and is the code of history we carry wherever we go. The diversity based on the DNA is absolute. There are no two same organisms while excluding experiments with cloning (National Human Genome Research Institute, 2020). Therefore, diversity has always been present throughout the whole history of life on this planet.

At the beginning of human history, there was diversity among species. Our DNA consisted of traits of interspecies breeding with Homo neanderthalensis and several others. (Harari, 2015). It could be interpreted as an argument that the early homo sapiens were considerably inclusive since they breed with other species. Nevertheless, on the other hand, the breeding in the ancient era could have been presumably usually forced by males, and if so, this fact would instantly refute such theory.

In the end, the world-dominating species became just Homo sapiens. Notwithstanding, there was no longer any human inter-species diversity; the differences that Homo sapiens had among each other seem endless.

#### **History**

First written texts such as the Epic of Gilgamesh also show traits of diversity and even inclusion among main characters. In the beginning, Enkidu, a weirdly looking beast excluded from society, becomes a great friend and even equal in certain aspects to Gilgamesh, who is entitled king of the kingdom (George, 2020). The fact that the text discusses such problems

as exclusion from society and fear of difference could indicate that these problems could have been present in the poem and even in the Mesopotamian society.

The most indicatory events in history connected with diversity and inclusion are the clashes of different races<sup>1</sup>, religions, and ethnic groups. History is filled with this type of conflict. In the medieval ages, the Pope launched numerous crusades to conquer Jerusalem. When Europeans first landed in South America, they started to conquer land and committed genocide in the process (Harari, 2015). North America was built mainly by enslaved people treated in the worst possible way brought from Africa. The diversity was present, but nothing even remotely close to inclusion (Eltis, 2000).

On the other hand, there are also examples of highly diverse societies, such as the Roman Empire, there is evidence that the people of color and homosexuals have been well included in the society (Alston, 2022). Although Roman Empire was an inclusive society towards gays and people of color, the women did not have any voting power and mainly were considered only mothers and wives (Frier, 2004). However, again, some societies have a different approach to women. There are not many of them, but some examples, such as the Mosuo kingdom, are well inclusive towards women. Mosuo people are sometimes referred to even as female-dominated societies, considering the possessions are inherited only from women to women (Genova and Klüppel, 2022).

### **Contemporary History**

Modern history is a period of revolutions and change. In 1863 Abraham Lincoln ratified the Thirteenth Amendment as the United States Constitution. The amendment officially abolished slavery and instantly freed more than 100,000 enslaved people from Kentucky to Delaware (Resource Library This Day in Geographic History, 2022). This act of righteousness launched the acceptance of minorities in the western world. Unfortunately, the aftermath can still be observed in United States society. Another very influencing event is the voting rights of women. For example, the United States adopted legally binding legislation allowing women the right to vote in the year 1920, the most of other world countries generally adopted similar legislation in the first half of the 20<sup>th</sup> century.

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<sup>1</sup> The existence of race is a contradictory topic, the anthropologic scientific community is not unified in the approach to the fact that race exists (Wagner et al., 2017). Thus, this study regards the word race as a humans of different skin color and other externally visible differences.

Even though the first half 20<sup>th</sup> century was a time of profound change, the horrible horrors of world wars were yet to come. The genocide of Jewish people and other minorities (e.g., homosexuals, gypsies) is a deep scar in human history. This part of history contains so much inequality that it is possible to argue that in some specific regimes, such as Nazi German was no inclusion but mostly exclusion.

In conclusion, the social system underwent significant changes in the 20<sup>th</sup> century. In most societies at the turn of the century, there was much prejudice based on race and gender. Despite the termination of the Atlantic slave trade in the nineteenth century, initiatives for non-white equality in white-dominated nations such as North America, Europe, and South Africa endured. By the end of the twentieth century, women in many parts of the world had equal legal rights to males, and racism had grown to be recognized as undesirable, with legislation often backing it up. In the latter half of the century, even attitudes against homosexuality began to shift.

### **Diversity and Inclusion in the 21<sup>st</sup> Century**

The globalized world has made it possible to move around and change jobs worldwide. Everything is now connected, either via transport or the internet. The world is linked as it has never been linked before. The more advanced the human population gets, the more the gap between cultures, races, and other geopolitical-based differences interconnects. Therefore inclusion is a necessary characteristic of the 21<sup>st</sup> century human. Every individual needs to work, cope and bond with others. Because the world is interlinked and individuals must be able to function even with foreigners, it is now applicable to international communities and even the local ones.

Even though the media and politics may sometimes depict the current approach to diversity and inclusion in the world as insufficient, it is essential to note that there has never been a time and place in history that were on the same level of inclusion and diversity as it is in some exemplary countries such as Scandinavian ones today. The current century is arguably the most inclusive time in the history of our planet. In the developed world, the inclusion of minorities has come a long way. There are still many extremist groups and ideologies that are sometimes even hostile to minorities and unfamiliar individuals. However, the developed world is now built on similar principles based on legally binding documents such as Basic

Human Rights and Freedoms or the Declaration of Independence, which in its core threat everyone the same. In other words, everyone in developed countries should be treated fairly and equally, at least at the legal level.

Problems of the present century are usually based on human nature than the law. The fear of change and the unknown are often the origins of exclusion, racism, and hatred. The current actions are not focused on law changing as it was in the previous century when women fought for the right to vote, but on the change in the minds of the majority. However, there are exceptions. Several states with the most progressive approach to diversity and inclusion amend legally binding regulations usually based on the quotas. The whole subchapter 3.3 depicts this phenomenon.

## **3.2 Ethical and Economic Arguments for and against Diversity Management**

In this subchapter, the study addresses the ethical and economic reasons why it is appropriate to increase diversity and inclusion in an organization. It presents several different arguments from both sides of the table. The discussion focuses on the objective approach and perception of the issue. At last, this subchapter contains a brief part introducing and explaining the term diversity management.



### **3.2.1 Arguments for Diversity Management**

The literature review presents several studies with factual evidence arguing that diversity is a direct variable that positively influences performance. Many of the international consulting firms mentioned in the literature review are ambassadors of this concept. The private sector and even the scientific community came to a similar conclusion that diversity and especially inclusion are beneficial for the organizations.

Productivity, fewer lawsuits, more marketing opportunities, construction of the largest stockpile of talent for hiring personnel, becoming a favored employer, higher morale, increased innovation, and better decision-making are the key benefits listed by Catharine C. Esty (1995).

Innovation and inventiveness, a profitable corporate brand, product development for multiple markets, and reduced prejudice are all mentioned by Sondra Thiederman (2008).

Benefits listed by Carr-Ruffino (1999, 1996) include reaching out and attracting the best talent, increasing the organization's flexibility, gaining and maintaining a larger market share, cost reductions, improved management quality, more innovation, and creativity, more efficient problem-solving, increased productivity, contribution to the organization's social responsibility, and increased profits.

Even though the basic premise is simple, diversity policies, objectives, strategies, and expected benefits vary considerably. Organizations usually identify improvement after implementing diversity management in the following areas: changing corporate culture, increasing diversity rates of workers and their multicultural composition, market position, better reputation, and company image (Ellsworth, 2021). According to Hubbard (2004), diversity management benefits the organization's greater creativity and innovative thinking of its employees. Diversity and inclusion teach employees to understand their differences and their ability to work with them, which leads to greater satisfaction and morale within the organization. Another benefit of diversity and inclusion management is employees' increased motivation and efficiency. Benefits arising from the diversity and inclusion in the internal environment of the company are, according to Ely and Thomas (2001), more significant variability of knowledge and experience caused by the diversity of the team,

employees provide a more extensive set of solutions for a problem, or they can recognize the higher number of possible opportunities. Another benefit of successful diversity management may be a reduced staff turnover, thus resulting in a reduction in the cost of training new employees, a reduction of absence in the workplace, and increased productivity.

Diversity management can also be seen as a competitive advantage that can attract new employees and clients. According to Hubbard (2004), the competitive advantage of diversity management could be as unique as the uniqueness of a diverse group with better ways of doing business and insights on how to do things faster, cheaper, or better.

On the contrary, the disadvantages of diversity can be described as the reduction of communication in diverse teams, less cooperation, and more conflict environment stemming precisely from their diversity, which may reduce the speed of decision-making. Another problem with gender diversity is that more views and ideas will take more time to discuss (Galleco-Álvares, 2009). The following subchapter describes the issue further.

### **3.2.2 Arguments against Diversity Management**

Most of the arguments introduced against diversity are not about diversity and inclusion per se but about enforcing it and pushing institutions to implement strategies that ease the minorities' admission in the given field. There are arguments like *Diversity Policies Rarely Make Companies Fairer, and They Feel Threatening to White Men* (Dover, 2016) that stand on the other side of the table. Other fact-based books present arguments against ever-increasing disruption, such as *The Diversity Delusion: How Race and Gender Pandering Corrupt the University and Undermine Our Culture* (Mac Donald, 2018).

Many studies conclude that the diversity push is ever more aggressive and forced, unintentionally causing the adverse effect. When the content bombards people, they tend to ignore it or start perceiving it as a negative experience. One study conducted at the University of California Los Angeles presents evidence of such perception (Unzueta, 2012).

Some studies break down arguments about the benefits of diversity and not just enforced diversity. For example, from a purely psychological point of view, diversity brings more space for social conflict. (Hubinková, 2008) This alone could be the cause of additional costs. Jehn, Northcraft, and Neale (1999) conducted an extensive survey of 92 working groups when they confirmed the possibility of different impacts of diversity on the working group results. They concluded that the result depends primarily on the dimension of diversity, the type of work task, and the management diversity in working groups. In their article, they developed several hypotheses. In most cases, they have confirmed that diversity in certain situations causes conflicts and reduces workgroup performance.

Similarly, Tsui and Egan (1992) examined the effects of diversity and addressed 151 teams in their survey, including 1,705 respondents. The result pointed out that the growing diversity of the work unit is associated with the declining psychological contribution of the individual to the group. In addition, they found that the effects of diversity are perceived much more positively by the minority than by the majority. Kirton and Green (2009) state in their article that diversity can bring isolation, stress, neglect/exclusion, or feeling in addition to the benefits of career threat.

Cox and Beale (1997) also state what specific adverse effects growing diversity within the working group may have if not responsibly managed. It increases absenteeism and staff turnover, harassment, intimidation, discrimination, or reduction of communication effectiveness.

In conclusion, the evidence shows that diversity needs to be achieved as a secondary objective caused by individual choices. Society needs first to address the problem with inclusion and equality. Then, in theory, the group would get more diverse over time due to the decisions made by individuals representing the minority. The most critical point is that excluding culture should not negatively influence these decisions. All this comes down to the expression: diversity is useless without inclusion. The article's headline in Harvard Business Review, named the same as the expression, supports this theory (Riordan, 2014).

### **3.2.3 Diversity Management**

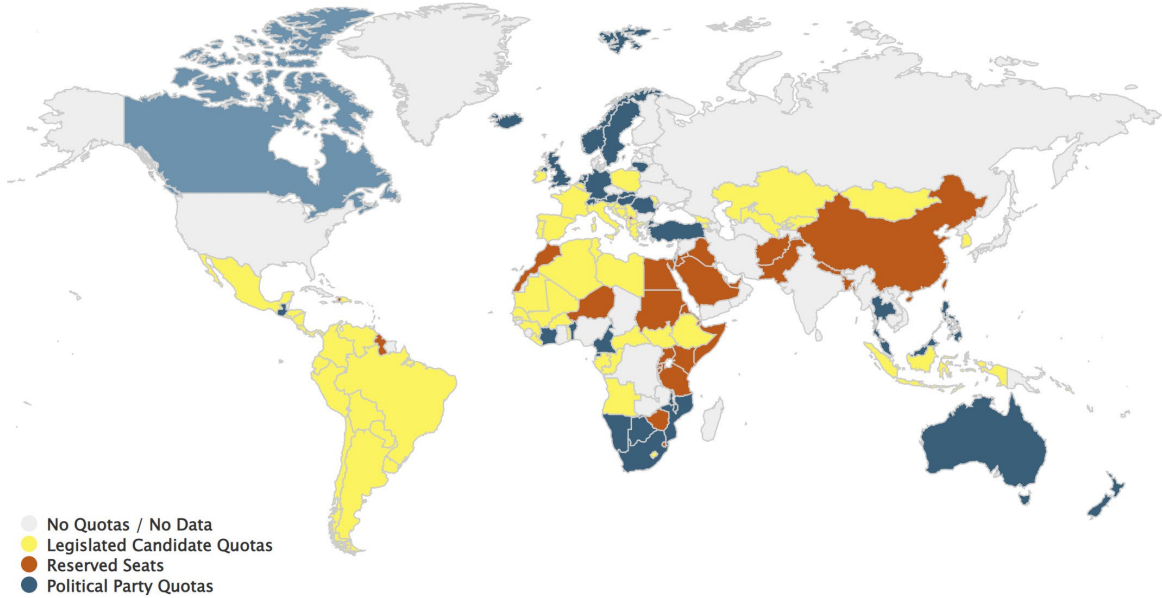
Thomas Roosevelt Jr. was one of the first authors to deal with diversity management (respectively diversity). In Thomas ' renowned book, diversity management is defined as a "complete management process producing an atmosphere that works for all workers" (Thomas, 1992).

In this context, Thomas emphasizes the evolutionary nature of diversity management by characterizing it as a process. It enables businesses to establish (develop) stages that create a natural capacity to utilize all their employees' potential (including white men, not just disadvantaged groups).

Hubbard (2004) gives a more detailed definition of diversity management: The process of planning, organizing, controlling, and sustaining collective mixtures in order to achieve quantifiable organizational results." Diversity management is defined as "a deliberate organizational strategy to creating workforce diversity, transforming corporate culture, and empowering the workforce," according to another definition.

### 3.3 Legislation

The push of minorities is not only done by promoting research, educating on the matter, or increasing inclusion in society. Several political entities already have quotas enforced by different sanctions, i.e., Norway, Spain, France, Italy, and Belgium (Terjesen et al., 2014). This chapter depicts the global outlook of diversity quotas. It is important to note that most quotas are now only for gender representation, particularly in the parliaments or other political bodies. Some specific examples have quotas even for top executive positions. The search follows the presumption that if a state has a quota in the political body, it is most likely that the state will pass the law declaring quotas even for organizations.



Picture 3: Gender quotas around the world

Source: Gender Quotas Database, (IDEA, 2022)

The following content details the differences between different geopolitical regions to demonstrate the differences between the policies of different international political entities. Spanish Institute for Strategic Studies (2010) defines the following seven geopolitical regions Africa, America, Antarctica-Arctic, Asia-Pacific, Europe, Middle East, Russia and Caucasus. Even though there are seven geopolitical regions, this chapter is focused only on one tree (i.e., America, Asia-Pacific, Europe) because the leading Automotive companies researched in the subchapter 5.4 are all located in these three regions.

## **America**

For this essential characteristic of this region, the most economically strong states have been selected. The following states (i.e., USA, Canada, Brazil) are the most influential economies in the western hemisphere and should provide the fundamental outlook on the quotas in the region.

### **USA:**

There are no legally binding gender quotas at any level of government (IDEA, 2022). Nevertheless, other initiatives are already in place to promote diversity. One of them is the Executive Order on Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce (Biden, 2021).

### **Canada:**

There are no legally binding gender quotas in the Canadian government. Nevertheless, various initiatives promote equal gender representation in the government. One is the Voluntary party quota (IDEA, 2022).

### **Brazil:**

Article 10.3 of Law 9.504/1997 (amended by law 12.034/2009) states that Chamber of Deputies elections is based on the list of the proportional representation system. Each list of candidates must have at least 30% of minority gender representatives (IDEA, 2022). This system is again legally binding only on the sub-national level. The federal senate does not have any quotas in place.

## **Asia-Pacific**

Uniformly demonstrating this region will always result in overgeneralization. The region consists of states with various cultural backgrounds and political systems. The three-state examples are presented (i.e., China, India, Japan). They are the biggest economies in the region.

China:

At the 10<sup>th</sup> National People's Congress in 2007, the decision was made to apply quotas in the congress. The representative women shall constitute a proportion of not less than 22% (Wang, 2015). The percentage of female members of the 12<sup>th</sup> National People's Congress has risen to 23.4 percent as a result (IDEA, 2022)

India:

India has a political system consisting of local, state, and federal levels. The Indian Federal Constitution establishes a system of at least 33% allocated seats for women in councils at a local level. Every state has the right to determine the number of reserved seats in each council above the mandatory minimum of 33%. The Constitution bounds these rights. At the federal level, there are no quotas (IDEA, 2022).

Japan:

Even though Japan's dominant Liberal Democratic Party declared the goal of 30% female representatives in top executive positions and political positions by 2020, the commitment is nonbinding and does not include quotas (Gauder, 2015).



## **Europe**

The first thoughtful, comprehensive approach to increasing diversity in all European Union member states began in September 2010 with a program for fairness between Women and Men launched by the European Commission. From that point forward, gender diversity on executive boards has increased throughout the European Union. The Men to Women ratio rose by 2.1 percent on average every year. Nevertheless, not all countries contributed to this average evenly. For example, the Czech Republic did not contribute much toward the pattern, with a 0,7 percent decline between 2010 and 2015 (European Commission, 2020). Toward the finish of 2012, another directive was proposed to increase the ratio. This Directive aims to achieve the objective of at least 40% of the underrepresented gender in non-chief board positions by the year 2020. The European Parliament has already adopted the directive at the end of 2013, and it is currently being discussed by the EU (European Commission, 2020).

One crucial fact to note regarding this study is that Germany, arguably the most prominent automotive state in the world, as of March 2015, demands at least 30% female representation on boards of firms registered on the German stock market. Companies that fail to achieve this set of criteria risk the penalty of having their present boards dissolved (Smale and Miller, 2015). Outside the European Union, Norway, the UK, Scotland, and Turkey have some form of quotas in place.

### **3.4 Diversity and Inclusion Initiatives in the Automotive Industry**

This chapter explores the different approaches to diversity and inclusion of international automotive companies. The several examples discussed in this chapter are picked worldwide to show differences across different continents and states. The companies picked for this exploration are the ones with the most car manufactured globally; chapter 5.4 explores and describe this order more deeply. The chapter focuses only on leading manufacturers from each continent to have a compelling example. Therefore, the picked companies are Volkswagen AG, Toyota, and General Motors. Each company's approach to diversity and inclusion is examined in the individual chapters. The sources of information used in this analysis are essentially from the most recent reports of the discussed companies.

### **3.4.1 Toyota**

Basic description: Toyota is a Japanese car manufacturer founded in 1937 by Kichiro Toyoda. It is the largest car manufacturer globally and manufactures cars, vans, trucks, engines, buses, robots, and more. It is also the eighth largest company in the world. The company is headquartered in Toyota, Aichi Prefecture. The relatively young carmakers Lexus and Scion also fall under the company's wings.

Diversity reporting: Toyota started reporting non-financial reports far back in 2002. The reports consist of chapters focused on the employees, which analyze diversity and inclusion in the company.

Strategy, objectives, and implementation: Toyota, via all its commercial activities and in collaboration with global society, is working on initiatives that contribute to the long-term development of society and the planet. By sharing and implementing its sustainability-related policies with all its employees, including those in consolidated subsidiaries, Toyota aspires to create a corporation admired and trusted by society (Toyota Sustainability Data Book 2020, 2021).

Toyota has achieved to win several notable awards. One of which is 10th place in the general division of the Top 50 Companies for Diversity, announced in May 2020 by U.S. Diversity Inc. and achieved by Toyotas subsidiary Toyota Motor North America, Inc. Second honorable achievement is being selected as one of the Engagement & Enablement Winners in the Engaged Performance Awards 2019\* hosted by Korn Ferry. Toyota Motors Company Australia achieved this. This subsidiary is also registered as a WORK180 endorsed employer (an initiative that provides job applicants with a directory of employers who support women's career development) (Toyota Sustainability Data Book 2020, 2021).

### 3.4.2 Volkswagen AG

Basic description: Volkswagen Group or German AG is one of the world's largest automotive concerns, which includes the following brands: Volkswagen, Audi, Skoda Auto, Bentley, Bugatti, Porsche, Lamborghini, MAN, Scania, SEAT, Cupra, Volkswagen Commercial Vehicles and Ducati. In the past, the Volkswagen Group also included brands: Auto Union, DKW, Horch, NSU, and Wanderer. The chairman of the seven-member board of directors of the joint-stock company is Herbert Diess (there is one woman among the members). Volkswagen AG is rated as the second largest car manufacturer globally based on the data in subchapter 5.4.3 and its inputs.

Diversity reporting: The diversity reports are included as a chapter in the sustainability report. The first one was released in 2017. Since the Volkswagen AG is a group, the individual branches report its conclusions in their reports.

Strategy, objectives, and implementation: The official strategy consists of five pillars accessible on the company website (Diversity Volkswagen Group Diversity Management, 2022).

- Diversity strengthens customer orientation and innovation!
  - Diversity is the mirror of our customers. Innovative mobility concepts are our result.
- Diversity focuses on talents and experiences!
  - We fill every position with the right person at the right time in the right diversity of teams.
- Leadership lives diversity!
  - Our managers use the creative potential of diverse talents for our corporate goals.
- Diversity creates an equal opportunity environment!
  - We are aware of our social responsibility and offer diversity a “home”.
- Diversity promotes employer attractiveness!
  - Individual exchange across borders attracts (inter) national experts and binds them.

Some initiatives worth mentioning are the Work-life balance program, “WE DRIVE PROUD” – The Volkswagen LGBTIQ\*-and-friends-network, Supporting female talents and leaders, and Gender diversity: Gender equality and internationalization.

The group measured diversity using the mood barometer and group diversity index. The following table from diversity report 2021 shows the progress and specific data of measured data.

*Table 2: Diversity index in Volkswagen AG*

DIVERSITY INDEX		Unit	2019	2020	2021
<b>Proportion of women in management<sup>1 2</sup></b>					
Target for proportion of women in management	in %		14.7	14.7	16.0
Actual proportion of women in management	in %		14.3	15.1 <sup>3</sup>	16.3
Actual level of proportion of women sub-index   weighting 0.50			118	125 <sup>3</sup>	135
<b>Internationalization in top management<sup>2</sup></b>					
Target for internationalization in top management	in %		19.7	19.7	21.4
Actual level of internationalization in top management	in %		18.4	18.7	20.3
Actual level of internationalization sub-index   weighting 0.50			108	110	119
<b>Cumulative diversity index figure</b>					
Target cumulative diversity index figure	Value		119	119	129
Actual cumulative diversity index figure	Value		113	117	127

Source: Volkswagen AG Sustainability Report, (Volkswagen AG, 2022)

### 3.4.3 General Motors

Basic description: General Motors, also known as GM, is an international corporation headquartered in Detroit, Michigan, United States, one of the world's largest automakers. As of January 2021, the company has approximately 157,000 employees worldwide (General Motors, 2022). The company manufactures cars and trucks in more than thirty countries worldwide and covers four brands originating in the USA - Buick, Cadillac, Chevrolet, GMC, and Chinese brands Wuling, Baojun, in which General Motors is a co-owner. The group's portfolio also includes other currently inactive car brands such as Pontiac, Oldsmobile, Hummer, Saturn, and Holden. In the past, Opel, Vauxhall (both until 2017), and Saab (until 2011) were also part of the group.

Diversity reporting: The diversity reports are again part of the broader sustainability report that General Motors started publishing in 2016 (General Motors, 2022).

Strategy, objectives, and implementation: The executive leadership team and the Board of Directors examine GM's diversity programs regularly, and both track success using two key metrics: diversity in the entire GM population and diversity in hiring. GM tracks promotions, performance indicators, interview slates, and attrition to measure progress in diversity.

General Motors has several following programs implemented (General Motors, 2020):

- GM Able (People with Disabilities),
- GM African Ancestry Network (GMAAN),
- GM Asian Connections (GMAC),
- GM European Connections (GMEC).

GM has been recognized for its diversity and inclusion program in the following cases:

- 2020 Top 50 Best Companies for Latinas to Work for in the U.S., Latina Style Inc.,
- Top Company National Organization on Disability 3 consecutive years,
- Best Performing S&P 500 company in the 2020 Equileap Gender Equality in the U.S. report,
- Top 50 DiversityInc five consecutive years.

## **4. Measuring the Diversity and Inclusion in the International Organization**

The following chapter explicitly focuses on how to measure diversity and inclusion in international organizations. It aims to deepen the understanding of the subchapters 2.1.2 and 2.2.2. This intelligence is later applied to create a sufficiently corresponding instrument with which it would be possible to accurately measure and analyze diversity and inclusion in an international entity such as an international organization. The state of diversity and inclusion in the organization can be identified through several different research methods.

The authors Glasberg and Neubeck (2015) describe five possible research methods in social science (i.e., experimental research, field research, survey research, historical research, and analyses of existing data). Each method is usable under certain conditions. The historical research and analyses of existing data could be excluded from the most suitable methods since both require several years of structured information. Unfortunately, since inclusion and diversity are relatively recent trends<sup>2</sup>, the organization may not have enough data and records to research. This type of research might be suitable in the future after the organizations gather enough input. Conducting the experimental research requires a sufficient number of participants. It is usually not cheap since the research participation usually needs to be compensated, and the participants must be a credible representation of the population. Another barrier is the requirement of a controlled environment, which can also be costly. The last two remaining (i.e., field research and survey research) are the most suitable ones. The field research could be helpful for smaller groups such as teams or departments in the organization. It would examine in depth the environment and would be very useful for pre-targeted groups. The survey research is the one that is the cheapest possible way to conduct the research. It is also the most applicable for large sample sizes, such as an international organization of several thousand people. It can be quite easily translated and more convenient for different nationalities.

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<sup>2</sup> Recent trends are meant in a context of global scale, some parts of the world, mostly so-called western countries are already well adapted to the phenomenon of diversity and inclusion so they would usually have enough data to conduct the historical research and analyses.

## 4.1 Methodology

Large international organizations are usually conducting the screening of member satisfaction. This satisfaction measurement is the perfect opportunity to add the inclusion and diversity survey. Surveys are generally used for this measurement. Therefore, measurement could be done simply by expanding the scope of the questionnaire by adding the inclusion and diversity part. This approach is far cheaper than any other research since the organizations already do the same type of research but for different research topics.

Even though these types of surveys are anonymous, they provide the researchers with one of the most beneficial aspects of this type of survey: authenticity and accuracy. Usually, the members must verify their membership in the organization by using their ID or another type of identification. The system usually records and saves the information of members' participation in the survey, but the content of the answers is not. Therefore, duplication is impossible, and the number of invalid questionnaire fillings is near the minimum. There still might be some deceptive, misleading, or made-up answers that do not correspond with the actual truth, but the proof of identity heavily reduces the risk associated with this type of research.

In conclusion, this study advocates using the survey method via an anonymous questionnaire. Recording if the participants have already participated is a good response validity check since it minimizes the duplicates and made-up completions of the questionnaire. The questionnaire itself and its description and analysis follow the following subchapter and the appendix.

Finally, the questionnaire results should be compared with the population data of each country where the organization is located. The closer the organization's data are to the population data, the more diverse they are, and vice versa. The population data should always be the most recent and must be verified, most commonly by state institutions.



## 4.2 Different Dimensions of Diversity and Their Significance

As mentioned earlier in the subchapter 2.1.2, there are several approaches to the dimensions of diversity; this subchapter aims to standardize the differences between various sources and create theoretical order of significance of different diversities. The best way to visualize the different dimensions of diversity is the diversity wheel. The original Diversity Wheel introduced Marilyn Loden and Judy Rosener in their book entitled *Workforce America! Managing Employee Diversity as a Vital Resource* (1991). Picture 1 represents the newer version of this wheel from the book *Diverse Teams at Work: Capitalizing on the Power of Diversity*.



Picture 4: Diversity wheel

Source: Gardenswartz (2003)

Subchapter 2.1 sets a precedent for the definition of diversity for this work. This first principle shows that the illustration in picture one is far from representing all the dimensions of diversity. There are several other representations of this wheel picturing the dimensions of diversity (i.e., *Implementing Diversity* (Loden, 1996), *Teaching in the Light of Diversity* (Boomers et al., 2012)). All these representations must generalize the dimensions of diversities to have some fundamental division. For this study, the list of different dimensions of diversities is created based on the groundwork done by the previously mentioned authors while respecting the definition and first principles set in precious chapters.

The different dimensions are divided into two separate parts, the primary and secondary. Some sources organize the different dimensions into several categories based on the work environment, like the diversity wheel in picture one. They divide dimensions based on identity, community, and social life. The dimensions in this study are based on the perceptions of different diversities while interacting with other people. The reasoning behind this division arises from the fact that primary dimensions are recognizable in the concise interaction and thus influence the perception immediately. On the contrary, the secondary dimensions are the complete opposite. If a person does not share the information with the counterpart, it is usually not recognized and thus does not alter the perception of others.

The following studies indicate that initial impressions of candidates influence employment outcomes (Swider et al., 2016). The additional study (Barrick et al., 2010) proves that initial impressions are more strongly relatable to interviewer evaluations of applicant responses earlier than later in the structured interview. They advocate that the first impressions alter the perception of others more and last longer. This might indicate that the primary dimensions are more critical and that the perceptions based on these primary dimensions last longer than the secondary ones.

### **4.2.1 Primary Dimensions of Diversity**

The first group of dimensions of diversity contains the most easily recognized dimensions by another person. It focuses on the physical appearance, traits, and behavior expressed by the individual, recognizable immediately after the first impression or just by observing the individual in the public space.

#### **Physical**

The physical dimension consists of the physical attributes that everyone has. It is not only the category with physical disability, but this dimension should also consist of all traits of human physiology such as height, fatness, and hair. This reasoning is since some studies (Judge, 2004) found a positive relationship between height and income.

#### **Mental**

This dimension aims to group all the differences between the brains of people. It is not only the category with mental disability, but this dimension should also consist of all different mental conditions such as OCD, dyslexia, ADHD, and finally, all the different types of thinking (e.g., visual thinking, analytical). This reasoning is since some studies, such as (Connell, 2012), found that the quality of life of people with mental health problems is worse than others.

#### **Sex**

The dimension of sex is focused solely on an individual's biological traits. The sex is determined at birth, and even though an individual could go through a natural but significant change in hormone production, the sex does not change throughout the whole life (Griffiths, 2021).

#### **Gender Identity**

The dimension of gender identity is each person's internal and individual sense of gender. It is a person's perception if they feel like a woman, a man, neither, nor anywhere along the gender spectrum. A person's gender identity may be the same as or different from their birth-assigned sex (Human Rights Commission, 2014).

## **Gender Expression**

The dimension of gender expression is how a person publicly presents their gender. This can include behavior and outward appearances such as dress, hair, make-up, body language, and voice. A person's chosen name and pronoun are also common ways of expressing gender (Human Rights Commission, 2014).

## **Age**

This dimension is simply the age differences of group members. Derived dimensions could be based on the different generations (e.g., the difference between the generation Z and baby boomers). The generation differences in the workplace are described in several studies, such as Gursoy et al. (2008).

## **Race**

Discrimination of individuals due to race is embedded in history. Unfortunately, even today, it is still a problem even today. There is evidence (Trenerry et al., 2012) that positive discrimination and supporting cultural diversity in the workplace positively impact the company culture and its performance.

## **Ethnicity**

The dimension of ethnicity is about belonging to a specific social group with similar cultural and national traditions (e.g., African American, Asian, Māori). It should be differentiated from the race since an individual could be a member of the white race but has origins in South America while respecting Hispanic people's national and cultural traditions. Ethnic diversity has, according to some evidence such as (McLeod et al., 1996) impact on the quality of ideas while brainstorming.

### **Attractiveness**

This dimension of diversity is not discussed in the academic community as much as other dimensions of diversities. The concept of attractiveness is challenging or even impossible to define. Despite it, the study (Beaver et al., 2019) found a positive relationship between attractiveness and lighter prison sentences. The evidence suggests that more attractive persons are less likely to be processed through criminal justice. Even if they are found guilty, they tend to receive lighter sentences. This phenomenon might be possible to track in different environments since attractive people are usually treated better.

### **Appearance**

The dimension appearance usually consists of trait attractiveness, but this paper separates the dimensions. It is crucial to distinguish the appearance a person is born with and the appearance based on decisions. Attractiveness is usually based on physical traits, but the appearance is different. The way that person acts and behaves in a social group, especially body language, tone of voice, and choice of words, can affect social interaction and inclusion (Phillips, 2020).

### **Stylization**

The last dimension connected with human looks is stylization. The part of this dimension is considered all voluntary changes that humans do to change their looks but not their attractiveness (e.g., clothes, hair, makeup, piercing, tattoos, jewelry). A study researching visible body modification and its influence on employment (Swanger, 2006) shows that (86.67%) of recruiters and human resource managers say that visible tattoos and body piercings on an interviewee would be viewed negatively by their organization.

### **Religion**

The religious dimension is mentioned as last since some religions do not require their followers to manifest their beliefs in a physical appearance and behavior. A person can be a strong Christianity follower and not be recognized as one. On the contrary, the Jews wearing yarmulkes are recognizable immediately. A similar example is the follower of Islam who would be praying several times per day whether he or she is at work.

## **4.2.2 Secondary Dimensions of Diversity**

The following dimensions of diversity are grouped in the second part of the dimensions. This second part comprises all the dimensions that are usually not recognized as much as the primary dimensions. Some of them recognizable immediately, such as accents, are part of this second group since they are possible for the person to change, and it is not something unchangeable such as sexual orientation. The expression of the secondary diversities can be mostly identifiable only outside of the work environment, in long-term cooperation, or only if the person actively expresses them or speaks out about them. The number of secondary dimensions is almost twice as large as the primary dimensions. For brevity, each dimension is described simpler, and only a few contain the name of a relevant study indicating the dimension's influence over the social environment.

### **Sexual Orientation**

Sexual orientation is an enduring pattern of romantic or sexual attraction (or a combination of these) to persons of the opposite sex or gender, the same sex or gender, or to both sexes or more than one gender.

- Employment and Sexual Orientation: Disclosure and Discrimination in the Workplace (Badgett, 1996).

### **Language and Accent**

The way that person communicates with others. This dimension includes knowledge of the different languages, native languages, and different accents.

- Foreign language knowledge can influence native language performance in exclusively native contexts (Van Hell, 2002).

### **Family Status**

The fact if an individual has parents, grandparents, and siblings. The relationship with family members.

### **Parental Status**

Individuals that take of kids (i.e., parents, legal guardians)

- The effects of family responsibilities on the work commitment and job performance of non-professional women (Campbell, 1994).

### **Marital Status**

The individuals are married, unmarried, registered partners, or in a similar legally binding agreement.

- The effects of family responsibilities on the work commitment and job performance of non-professional women (Panisoara, 2013)

### **Education**

The level of education that an individual achieved.

- How broadly does education contribute to job performance? (NG, 2009)

### **Nation of Origin**

The nation in which the individual was born.

- The impact of country of origin and operation on sustainability practices and performance (Haleem, 2021).

### **Geographic Location**

The place where individual lives and works. Each of these locations can be different.

- Does daily commuting behavior matter to employee productivity? (MA, 2019)

### **Income**

The amount of money an individual makes.

### **Citizenship Status**

What kind of citizenship the individual has.

### **Military Background – Veteran**

Experience in the service in the military.

### **Ideologies – e.g., economic, politic**

Is an individual a right or left-oriented, democrat or communist? If an individual is Keynesian, neoclassical, or Marxian in economic ideology.

**Criminal Background**

An individual has a criminal record.

**Experiences – Life and Work**

Different professional and personal experiences.

**Union Affiliation**

Is an individual a member of the trade union?

**Group Affiliation**

Membership in groups, either Freemasons or even a football club membership.

**Skills, Knowledge**

Ability to do a specific task and the facts and information that individuals understand and store.

**Management Status**

The individual is or is not the manager. The managers can be later divided into different ranks.

**Job Department and Function**

Job description of the department and the individual. Why do departments exist?

**Habits**

Variety of different habits, from the coffee or tea preferences to working hours.

**Leisure Behavior**

How an individual prefers to spend free time

**Network**

The different amount of people with whom an individual has a professional, social or intimate relationship.



### **4.3 Questionnaire**

The questionnaire is based on the principles from chapter 3 and subchapters 2.2 and 4.2. It is divided into two parts, inclusion and diversity. The first one directs on the questions investigating inclusion using the principles from the previously mentioned subchapters. The second part intends to record the person's background by filling out the questionnaire. It focuses on the primary dimensions of diversities (e.g., Physical and Mental ability, sex, gender identity) based on the intelligence gathered in subchapters 2.1.2 and 4.2. The individual questions are listed in the appendix.

#### **Diversity Part of the Questionnaire**

Subchapter 2.2.2 submits the measurement of diversity with a simple yet effective approach. The respondent is asked simple questions based on the different dimensions of diversity discussed in subchapter 4.2. Each question is formulated in a way to represent one dimension of diversity. Unfortunately, some dimensions such as height and attractiveness are not addressed since the beauty dimension filing done by the individual whose beauty is measured could be exaggerated or distorted. The height is only a sub-dimension, and it is plausible to reckon that the physical disability is a more critical dimension than height. For this and similar reasons, the questionnaire's diversity part consists only of questions exploring the dimensions of diversities that have available and verified population distribution data with which the results from the questionnaire can be compared.

#### **Inclusion Part of the Questionnaire**

The inclusion part of the questionnaire focuses on the seven core values. They are individually described in the subchapter 2.2.2. Namely, they are authenticity, belonging, fairness, trust, safety, and management approach to inclusion and diversity. Every value is researched mainly by two questions targeting the specific issue. The questions are based on the previous research cited in the references at the end of the paper.

## 4.4 Introducing the Concept of Measurement in Multinational Organization

This concept aims to describe how a possible measurement could be done in the organization. The basic assumption is that the company conducts an annual screening of member satisfaction. This member satisfaction could be extended with the Questionnaire described in the previous chapter and the detail presented in the appendix. Each answer from the diversity part is later recorded in a similar exemplary matrix as one visible in table 1 below. The answers of inclusion then work as an indicator of how different minorities in different dimensions are included or not. The organization can later implement targeted strategies focused on the most excluded individuals. The following matrix is an example of 1000 respondents.

Categories		Physically disabled rel.	Physically disabled abs.	Not physically disabled rel.	Physically disabled abs.		
Physical Ability	Population	2 %	20	98 %	980		
	Random example	0,7 %	7	97,3 %	<b>973</b>		
Categories		Mentally disabled rel.	Mentally disabled abs.	Not mentally disabled rel.	Not mentally disabled abs.		
Mental	Population	9 %	90	91 %	910		
	Random example	8 %	<b>83</b>	91,7 %	<b>917</b>		
Categories		Intersex rel.	Intersex abs.	Male rel.	Male abs.	Female rel.	Female abs.
Sex	Population	3 %	30	48,5 %	485	48,5 %	485
	Random example	5 %	<b>50</b>	42,5 %	<b>425</b>	52,5 %	<b>525</b>
Categories		Other rel.	Other abs.	Male rel.	Male abs.	Female rel.	Female abs.
Gender Identity	Population	1,5 %	15	49,25 %	492,5	49,25 %	492,5
	Random example	1 %	<b>10</b>	43 %	<b>430</b>	56 %	<b>560</b>

Table 3: Example of matrix of responses

Source: Created by the author

The further rows, not included in the previous example, should be filled with additional dimensions mentioned in the questionnaire. It is important to note that table 3 is filled with the random made-up data and should not be used as any reference. The individual calculation possible to determine from this data is later described in subchapter 5.3.

One unmentioned problem is that the individuals might not be willing to share such sensitive data. For this reason, it is essential to include the answer: I do not want to share this information. These responses would be later excluded from the further analysis. This type of answer would most likely discourage individuals from answering with made-up answers.

## **5. Measuring the Impact of Diversity in the International Organization**

This chapter aims to describe the possibility of measuring diversity as a whole and its influence on the organization's performance. It characterizes different types of organizations and their structures. The possible limitations are detailed in the process. It follows the subchapter dedicated to performance measurability since each organization has different goals and performance metrics.

Finally, the subchapter 5.3 presents the idea of a standardized model of measuring diversity in one single variable and therefore measuring the diversity as a whole and not just each dimension separately. The final subchapter 5.4 focuses on finding empirical evidence of the positive statistical relationship between diversity and performance in the automotive sector. It describes the methodology, data, and discussed results.

## **5.1 Different Impact of Diversity Based on the Type of International Organization**

This whole subchapter describes different types of organizations and depicts the different impacts of diversity in each one of them. The subchapter has two primary divisions. The first is based on the definition of international organizations, and the second one is built on the principles introduced by H. Mintzberg. The type of the organization is an essential variable since not all organizations' performance is only measurable as financial performance. Some organizations are not so focused on innovation and new approaches. This partly contradicts the fact that diversity is good for innovation. If a company does not have to innovate, why would it strive for higher diversity that boosts innovation? The following subchapters are deeper, examining this argument.

### **5.1.1 Impact of Diversity Based on the Different Types of International Organizations**

The term international organization is usually used to refer to all forms of non-state actors working at international or global levels (Brechin, 2013). In short, there are two basic types of international organizations (i.e., international governmental organizations and international non-governmental organizations). Initially, these two types of organizations were considered truly international entities that considerably influenced international law. Nevertheless, in recent years the globalized world has shown the rising influence of international corporations. Because of this fact, this study presents the following three categories of international organizations (i.e., International Governmental Organization – IGO, International Nongovernmental Organizations – INGO, Multinational Corporations – MNC). This subchapter describes each type of international organization and speculates on the metric with which it would be possible to measure performance in different types of these organizations.

#### **International Governmental Organization**

The Union of International Associations defines the international governmental organization as consisting primarily of sovereign states or other international organizations (Union of International Associations, 2022). The IGO can be further divided into subcategories based on the type, purpose, and the different measurements of achieving their goals. Most of the metrics are connected to the Human development index (Our world in data, 2022). Below are several types of organizations and their possible metric to demonstrate their differences. Some metrics are usually used to calculate the Human development index mentioned above.

- Health Organization - Healthcare index
- Population Organizations - Sustainable population growth rate
- Educational organizations - Education index
- Economic organizations - Macroeconomic indicators
- Cultural organizations - Cultural influence index
- Military and police organizations - Safety Index
- International Nongovernmental Organizations

### **International Nongovernmental Organizations**

This specific type of organization focuses on the cooperation of members without government. Contrary to governmental organizations, international nongovernmental organizations usually try to influence the law-making process of governments. They are primarily non-profit, aiming to improve international law in several areas. These areas are similar to the ones mentioned in the International Governmental Organization. The only difference between these two concerning the topic of this paper is the legal form.

### **Multinational Corporations**

Finally, there are multinational corporations. These companies are becoming more and more relevant participants on the global scale. Some corporations have more money than some governments and sometimes indirectly influence international law-making processes. The Oxford Reference (2022) defines a multinational corporation as a capitalist enterprise in which financial structure, managerial control, and productive activity operate in different states and aims at international (or global) markets.

In connection with diversity and inclusion, this type of organization is the one that is the most suitable to research. The goals of the corporation are profit. Since this goal is straightforward, it is easier to measure it. More information about the measurement is contained in the following subchapter. The performance is convenient to measure, but even the diversity or dimensions are usually easy to measure. Multinational corporations have the data and information about their members (employees). Some of them are even publicly available such as members of the board of directors. Since this is the only available public source of information, the empirical part of this study takes advantage of this fact in subchapter 5.4. The data gathered here are about the board members, and they are publicly available.

## **5.1.2 Impact of Diversity Based on the Different Types of Organization Structure**

Not only the legislation type of an organization but even its aim, a field of operation, and many other factors could alter the influence of diversity on the performance of an organization. This subchapter describes the different types of organizations based on the work of H. Mintzberg. The argument of different possible influences of diversity in different organizations is explored.

H. Mintzberg (The Structuring of Organizations, 1979) defined four basic organizational categories (i.e., Machine Bureaucracy, Professional Bureaucracy, Entrepreneurial Startup, and Adhocracy). They are dependent on the two characteristics: the complexity of operations and the pace of change that the organization needs to adapt to.

### **Machine Bureaucracy**

Machine bureaucracy is a rigid hierarchical structure, well suited to routine tasks that need to follow set processes. The machine bureaucracy is the most traditional looking of these four types. It has a rigid hierarchical structure and set processes, and it is particularly well suited to routine processed-based operations. Decisions are made at the top of the organization within machine bureaucracy, and reporting lines need to be followed scrupulously; indeed, they are often vertical. Therefore, all communication is quite closely prescribed. Within a machine bureaucracy, people need to follow the rules, and there are managers at every level of the organization to set and enforce those rules and determine standards and set up plans. Here, it is possible to find traditional big manufacturing organizations, elements of organizations like Toyota are well represented by the machine bureaucracy, or they certainly were going into the 21st century. Since the diversity creates conflict and thus increases the number of ideas, the high diversity in this type of organization would possibly not increase its performance. The performance increase might be possible to achieve with higher diversity in the management and process forming jobs.

### **Professional Bureaucracy**

Processes and procedures are flexible, but leadership has control of quality and process. In a professional bureaucracy, the product is not a product, it is a service, but the organization's leaders still want to impose solid and rigid controls on the quality of



the service and how it is delivered. However, to accommodate the more varied needs of customers or clients. The processes and procedures need more flexibility, which means the individual professionals working within the professional bureaucracy need a measure of more independence and autonomy. This model well represents professional consulting services firms. It represents a lot of professional organizations like engineering organizations or law practices. The professional bureaucracy would most likely increase its performance with higher diversity since it thrives on the service. The better its ideas are, the better its service is. Therefore, an argument can be formulated that the higher their diversity is, the better consulting, engineering, and many other services they provide. It is also important to note that the variety of employees would help attract more customers since the customers are also diverse. Thus, connecting similar customers and service workers could increase customer satisfaction.

### **Entrepreneurial Startup**

It has centralized decision-making with a flat structure that can restructure quickly and nimbly. The third organizational model is the entrepreneurial startup. When starting up a new organization, the need to be able to adapt and change quickly is necessary. So, in an entrepreneurial startup, rigid rules and procedures, and processes will not work. However, on the other hand, the founders of the entrepreneurial startup do want to be in charge. So, there still is a measure of top-down control. Here, we see organizations with a compromise, allowing a centralized structure to remain nimble and respond and adapt quickly. Entrepreneurial organizations are often still young and therefore negligible. So, we often see flat hierarchical structures with only one or two tiers between the frontline workers and the CEO or founder. There can often be loose informal allocation of roles and very little management between the individual producers, who are often software engineers, and the CEO. Entrepreneurial startups thrive on innovation and new ideas. Since diversity increases the number of ideas, entrepreneurial startups would be the most suitable type of organization with high diversity. The argument is that the more diversified the Entrepreneurial Startup, the newer ideas they come up with, which should increase its performance.

## **Adhocracy**

Flexible structure that morphs to meet needs. Decisions are devolved, and coordination relies on good communication. Min Berg's fourth structure is the most flexible. In adhocracy, small groups of people come together for an immediate need. They work together to solve it, and then they disband. An adhocracy often sees high levels of collaboration and self-management among teams of highly competent individuals, with very light-touch leadership and management from above within the organization. Indeed, leadership is often confined to the primary strategic directions, leaving the organization to set up these ad hoc teams to solve immediate problems and move the organization forward. As a result, coordination of the efforts of these different ad hoc teams comes not through a rigid hierarchy or a structure within the organization but effective communication between individuals. The ad hoc teams need to be very fast in creating new professional relationships. For this reason, they would need to be very inclusive. High diversity without inclusion in these types of teams might not be as advantageous as in other types of organizations.

In 1989 H. Mintzberg revisited the topic of organization types in another book, *Mintzberg on Management* (Mintzberg, 1989). This book introduced two additional organization types (i.e., Diversified Organizations and Missionary Organizations).

## **Diversified Organizations**

A central administrative core serves autonomous operating units. The first of these organizations is a diversified organization. These organizations tend to create a small central organizing hub that provides a limited number of services for various small organizations that deliver services or products. These smaller organizations have autonomy depending on where we are in the cycle of fashion because there is a certain amount of fashion between the idea of centralization or devolution of auto autonomy. It is hard to know where we are in this cycle. Indeed, there are waves of centralization and then decentralization. Indeed, those waves tend to start in one part of the world and propagate. So, we do not find every part of the world and organization at the same stage in the cycle. The diversity in the diversified organizations would be theoretically most beneficial within the small parts of the organization. If those teams were well-diversified, they might work similarly to numerous entrepreneurial organizations under central leadership.

## **Missionary Organizations**

With Mintzberg's sixth organizational type, he has filled the gap that pretty much every other thinker has failed to identify. He calls these organizations missionary organizations. Missionary organizations are driven by a mission, a strong sense of purpose. This single clear mission provides a basis for every strategic decision and choice that the organization makes and the motivation of individual employees. They join these organizations and remain committed to them because they believe in the mission. As a result, this mission organization type is a good representation for many charities and non-governmental organizations, arguably for some government organizations. The diversity influence would highly depend on the mission. If the mission is to create something new and innovative, then, in theory, the diversity would be most beneficial; if the mission is different, the influence of diversity is unclear.

## **5.2 Measuring the Performance of an Organization**

This subchapter explores the issue of measuring the performance of an organization. Not all organizations aim to achieve one goal: income and growth. It is important to note that many international organizations are focused on different goals. Based on this reasoning, the subchapter describes two different types of performance. Firstly, it describes the financial performance in depth since it is the financial performance that is the most suitable standardized metric that is possible to use as a performance indicator, especially in commercial organizations. In the second part of this subchapter, the issue of non-financial performance is addressed. It does not include the same deepness as financial performance since non-financial performance metrics are impossible to standardize and need to be made for each organization exclusively.

### **5.2.1 Financial Performance**

Measuring the economic performance of the company is a delicate and complex issue. The number of indicators that are possible to use is extensive. When focusing on a whole company's performance evenly, every input from every fragment of the company finance must be included. This subchapter details several indicators (i.e., ROA, ROIC, EVA, and Tobin's Q). It targets to describe the fitness of each of them regarding the applicability for the measurement of diversity and inclusion influence on the company's financial performance.

#### **Difference between Share Holder Perspective and Internal Stakeholder Perspective**

Financial performance is not always a direct reason for a rising stock price or dividends; thus, the shareholder is not always satisfied only with internal performance metrics such as higher sales, higher ROA, or better profits. On the contrary, the internal stakeholders such as employees, managers, and directors are usually satisfied with better performance of previously mentioned metrics, excluding the fact that the investors frequently pressure directors to maintain a continuous rise in the stock price. While measuring a company's performance from the shareholder's perspective, the internal metrics displayed in the financial report are most important but not as important as a stock price or dividends. There could be instances where a company's performance increases in the metrics from the financial report, but the investors would still be dissatisfied because their investment is not appreciated.

Since this study focuses on diversity, the performance metrics should not focus only on the company performance metrics from the financial statement but should include even the stock price. There can be a situation where increased diversity motivates more investors to invest in the company. Similar reasoning already works with sustainability, which diversity is often part of. One of the excellent and intriguing examples is the Norwegian Government Pension Fund Global (Government Pension Fund Global Annual report 2021, 2021), which requires a robust sustainability program as an investment criterion, including diversity and inclusion.

For this reason, it is logical to include the stock price in the metric measuring financial performance. The following chapter describes the metrics used to measure the company's performance in detail.

### **Individual Instruments Used to Measure Economic Performance**

This section is dedicated to different metrics used to measure the company's performance to display the capability of internal stakeholders to manage the company and its resources. The following metrics are only a fraction of metrics used to measure the company's financial performance. These examples are listed since they are most usually used in measuring the influence of diversity on performance. The specific studies this section refers to are described in deeper detail in the literature review.

#### **ROA - Return on assets**

Description: Metric ROA indicates the efficiency of an organization regarding its utilization of assets (Bragg, 2002). The fewer assets the company needs to generate sufficient return, the better company, according to this metric, is, or the better the efficiency is. The ROA is the most suitable indicator of operating efficiency (Walsh, 2003). It is usually displayed in percentage points.

*Equation 1: ROA calculation*

$$\frac{\text{Net Profit}}{\text{Total assets}}$$

Limitations: The ROA is of no utilization in situations with low profits since the ratio percentages can be highly volatile when minor changes in profits occur (Walsh, 2003). This metric does not represent changes in stock price.

#### **ROIC - Return on invested capital**

Description: Return on invested capital (ROIC) is a metric used to calculate an organization's effectiveness at rationing the capital under its management to productive ventures. ROIC indicates how well the firm is utilizing capital to achieve profit. Analyzing ROIC declares if the invested capital is implemented effectively (Walsh, 2003). It is usually displayed in percentage points.

*Equation 2: ROIC calculation*

$$\frac{NOPAT}{Invested\ Capital}$$

Limitations: The most crucial drawback of this measurement is that it does not display anything about value generation's individual caused. Sometimes the ROIC is calculated with net income (minus dividends) in place of NOPAT. The outcome can be even more unspecific because the return could be made on a one-time event (Walsh, 2003).

### **Tobin's Q**

Description: Tobin's q, also known as the q ratio, and Kaldor's v is a ratio of a physical asset's market value and replacement value. In simpler terms, it estimates if a specific firm or market is overvalued or undervalued.

*Equation 3: Tobin's Q calculation*

$$\frac{Total\ Market\ Value\ of\ a\ Company}{Total\ Asset\ Value\ of\ Firm}$$

Limitations: One problem is inefficiency because underinvestment reduces firm performance but increases Tobin's q. Some researchers, such as Dybvig and Warachka (2015), do not recognize Tobin's Q metric to measure the firm's performance.

### **EVA**

Description: Stern–Stewart, a management consulting firm, popularized EVA. The concept of residual income, on the other hand, has been around for a while, and many organizations that are not Stern–Stewart clients use it to measure and reward management success (Brealey, 2011). For example, a similar tool called Economic profit uses McKinsey & Company.

*Equation 4: EVA calculation (1)*

$$EVA = (\text{after tax interest} + \text{net income}) - \text{cost of capital} * \text{capital}$$

*Equation 5: EVA calculation (2)*

$$EVA = \left( \frac{\text{after tax interest} + \text{net income}}{\text{total capital}} \right) - \text{Cost of capita}$$

*Equation 6: EVA calculation (3)*

$$EVA = (\text{return on capital} - \text{cost of capital}) * \text{total capital}$$

Limitations: How can anyone tell if a low EVA is due to poor management influenced by reasons outside the manager's control? The lower managerial positions in the company, the fewer freedom managers have, and therefore the more difficult it is to measure their contribution. However, EVA's most significant contributions occur within organizations. EVA encourages management and staff to focus on building value rather than merely raising revenue (Brealey, 2011).



## **5.2.2 Non-financial Performance**

Subchapter 5.1 demonstrates that some organizations' performance cannot be measured with traditional financial metrics mentioned in the previous subchapter. For this reason, this subchapter addresses the issue of measuring performance in non-financial metrics.

The problem with measuring performance in non-financial metrics is that there is no possible standardization. This means that comparing organizations that operate in different fields is not impossible but creates many limitations and baseless significance. Despite it, this subchapter shows a theoretical example of how it would be possible to compare the performance of different organizations but a similar field. One of the examples that can be described as a model instance is the performance of a police organization. Organizations such as Interpol could theoretically measure the performance based on the number of arrested criminals. In this case, even the theory that diversity increases innovativeness could increase the number of arrests.

### **Complex Measurement of Performance**

There are various ways to assess business performance, the majority of which are based on purely financial indicators (for example, traditional financial analysis, EVA scales that consider economic profit, or others mentioned in the previous chapters. These methodologies are challenging to utilize when assessing the influence of diversity on company performance. However, in some circumstances, measuring firm performance that includes non-financial metrics that complement financial indicators in consumer perception and internal process performance has been established (Wagner, 2009). The Balanced Scorecard, created by American writers Kaplan and Norton (1996) and initially published in the Harvard Business Review in 1992, is the most well-known and sophisticated comprehensive performance monitoring system (Wagner, 2009). Financial metrics of previous success are combined with so-called drivers of future performance in the Balanced Scorecard method.

The BSC's goals and benchmarks look at corporate performance from four different perspectives: financial, customer, internal process, and learning and growth (Kaplan, Norton, 1996), also known as the potential perspective. This potential involves the quality and cultivation of human resources and the development of corporate culture, which are linked to diversity and its management.

### **5.3 Theoretical Model for Diversity as a Single Variable**

This subchapter describes and presents an alpha version of a model that would be theoretically possible to calculate if an organization is diverse or not. The model calculates the single variable describing the diversity in the organization. This metric could be used by the organizations as a rough estimate, displaying if they have a diverse workforce or not. Since the model interprets diversity as a single variable, the influence of all dimensions of diversity on the organization can be later calculated using regression and, eventually, correlation analysis. This model could be misleading and limiting because the input population data are impossible to get for the same year or even from one valid institution. Another problem is that some dimensions of diversity are impossible to measure, or they are no population data on some dimensions.

Nevertheless, this model is only a pilot suggestion. This model could be cleared of some limiting factors with enough valid data, revision, and improvements. Regrettably, the scope of work, analysis, expertise, and especially data needed for the furtherance would be more suitable for dissertation research or if a consulting firm did the research.

#### **Fusing Different Dimensions of Diversity into a Single Variable**

When expressing the diversity only in a single variable, the difference between the measurement and population data must be calculated. In other words, how much each dimension differs from population data. The Chi-square Homogeneity test can be the most suitable to calculate the exact divergency from the population. The Chi-square Homogeneity test must be calculated for each dimension separately. This separate calculation would also be a good indicator for the organization to see how diverse it is in a specific dimension. When merging all the results in the one variable, the harmonic mean needs to be calculated with the individual inputs from the Chi-square Homogeneity tests. This result should express the average difference between the population distribution and the distribution measured by the organization in a single variable.

## **5.4 Sex Diversity in The Executive Board and its Impact on Performance of an International Automotive Company**

This subchapter focuses on finding empirical evidence in the field of sex diversity and its importance in the company's performance. Chapter one displays the evidence that the direct positive relationship of sex diversity and performance is not uniform and even divided. For this reason, this subchapter aims to find the evidence in the automotive sector, which is usually considered male-dominated and where the representation of women could be theoretically highly influencing.

This part of this research aims again on the companies in the automotive sector since the consultants of this theses are from ŠKODA AUTO a.s. and are well connected to the automotive industry. Even the theoretical information in subchapter 3.4 is about the automotive sector. For this reason, it is valuable and logical to conduct practical research in the same field.

The research is aimed solely at the diversity of males and females on the executive board. Even though there are arguments that there are simply two sexes and arguments against (Ainsworth, 2015), this study focuses only on two sexes, males and females. The reasoning behind this is rooted in the fact impossibility of determining the information without contacting the executives. Another presumption is that the intersex person would project both male and female traits in their look. The data sample did not contain any individual who would fit this description. Due to this fact, the study is focused strictly on the male/female difference.

The most suitable and statistically significant would have been acquiring sex information of all the employees in the company; unfortunately, it would be challenging or even impossible. For this reason, this study comprises only the sex information of the executive board, which is in the class of publicly available data. The actual data are gathered from the annual reports of companies. In a fundamental conclusion, the research searches for a correlation between the ratio of sexes in the executive board and the value of the economic indicator, specifically ROA.

### 5.4.1 Hypotheses

The hypotheses are based on the premises from the literature review and the theoretical principles accumulated in chapter three. The primary hypothesis is that diversity is good for business and increases the company's economic situation while increasing its employment attractively. These premises are all based on the following simple argument.

The more diverse the group of people is, the more conflicts erupt. If the conflict is managed well, the group produces more innovative ideas, which are later embedded in the company's financial performance.

Therefore, the first hypothesis, when researching the sex diversity, is the following:

- H1 There is a positive relationship between sex diversity and financial performance.

Since the data gathered are suitable for evaluating the push of legislation towards a more diverse workplace, two more secondary hypotheses are added to evaluate this phenomenon.

- H2 There is a positive relationship between sex diversity and the sample year.
- H3 The companies located in the so-called western world have higher occupancy of women on the board.

## 5.4.2 Variables and Descriptive Statistics

This subchapter describes the variables used in the research. It provides a basic description of each variable. For each variable are available suitable descriptive statistics for a better understanding of the sample.

### ROA

Abbreviation ROA states that for rentability of assets, this metric is described in the subchapter 5.2.1. It is a numerical variable.

- Average – 0,019
- Median – 0,029

### Female Ratio

The female ratio is the proportion of women on the executive board. The ratio is calculated as the number of women in the executive board divided by board members. It is a numerical variable.

- Average – 0,081
- Median – 0,056

### Sample Year

This variable is a number representing the year of the report from which the data were extracted. It is a numerical variable.

- Min – 2009
- Max – 2020

### West/East Headquarters

Every company in the sample has a headquarters; there are two groups in this division, one labeled as west second one as east. The label corresponds to the part of the world where a company's headquarters is located. It is a nominal variable. The sample consists of the exact number of samples from the east as from the west.

### 5.4.3 Data and Methodology

The data in this quantitative research are gathered based on the list of the biggest car manufacturers in the world. The International Organization of Motor Vehicle Manufacturers publishes the ranking of the largest manufacturers based on the cars produced in the year (2016 Production Statistics, 2017). The widely applicable Pareto principle states that the top 20 percent of inputs are responsible for 80 percent of the outputs. Based on the principle, this research focuses on 80 percent of outputs. This leaves the first eleven car manufacturers (light grey). Unfortunately, companies Hyundai, FCA, and PSA reports are not usable for several reasons, such as not reporting executive board or mergers (dark grey). In other words, these companies are excluded from the research.

Table 4: World ranking of car manufacturers

	Company	State	Production	Abs.	com.
1	Toyota	Japan	10,466,051	12 %	12 %
2	Volkswagen Group	Germany	10,382,334	12 %	23 %
3	Hyundai / Kia	South Korea	7,218,391	8 %	31 %
4	General Motors	United States	6,856,880	8 %	39 %
	(With SAIC-GM-Wuling)	(China)	(9,027,658)	2 %	42 %
5	Ford	United States	6,386,818	7 %	49 %
6	Nissan	Japan	5,769,277	6 %	55 %
7	Honda	Japan	5,235,842	6 %	61 %
8	FCA	Italy / United States	4,600,847	5 %	66 %
9	Renault	France	4,153,589	7 %	73 %
10	Groupe PSA	France	3,649,742	4 %	77 %
11	Suzuki	Japan	3,302,336	4 %	81 %
12	SAIC	China	2,866,913	3 %	84 %
13	Daimler	Germany	2,549,142	3 %	87 %
14	BMW	Germany	2,505,741	3 %	90 %
15	Geely	China	1,950,382	2 %	92 %
16	Changan	China	1,616,457	2 %	94 %
17	Mazda	Japan	1,607,602	2 %	96 %
18	Dongfeng Motor	China	1,450,999	2 %	97 %
19	BAIC	China	1,254,483	1 %	99 %
20	Mitsubishi	Japan	1,210,263	1 %	100 %

Source: 2016 Production Statistics (2017)

The data are collected from 2008 to 2020. The reasoning for this period is based on the stock market bull run from 2009 to 2020. This unprecedented period of economic growth offers the perfect opportunity to gather enough data for statistically significant results. The final number of observations is 104. The sample consists of four Asian and four European and US-based companies.

Finally, the collection of data was done by browsing and gathering information from the final reports of companies. Each number had to be rewritten manually because there is no central database for this information. All this data is attached and accessible in the appendix. Few companies report the sex of their executives, unfortunately not all of them. Those executives that were not reported had to be researched by the internet search. Based on their physical appearance, their sex was determined. This brings up one of the limitations since the official sex can differ, even though this possibility is improbable.

### 5.4.4 Data Analysis

Two statistical methods used in this research are simple correlation analysis used for hypotheses number one and two; the third hypothesis is evaluated via Analysis of variance. This subchapter presents individual calculations, including the tables from the statistical program Statgraphics used for the calculation.

**H1 There is a positive relationship between sex diversity and firm performance.**

H<sub>0</sub> Sex diversity and ROA are independent variables.

Correlation Analysis:

1. H<sub>0</sub>:  $\rho(X;Y) = 0$   
H<sub>1</sub>: non H<sub>0</sub>
2. **TS: T = 0,263**
3. **W: {T: |T| ≥ 1,983}**
4. TS  $\notin$  W
5. H<sub>0</sub>: do not reject  
H<sub>1</sub>: do not accept

Table 5: Statgraphics calculation for H1

Correlations		
	A.ROA	A.Female_ration
A.ROA		0,0256
		(104)
		0,7963
A.Female_ration	0,0256	
	(104)	
	0,7963	
Correlation		
(Sample Size)		
P-Value		

Source: Created by the author



**H2 There is a positive relationship between sex diversity and the sample year.**

$H_0$  Sex diversity and sample year are independent variables

Correlation Analysis:

1.  $H_0: \rho(X;Y) = 0$   
 $H_1: \text{non } H_0$
2. **TS: T = 3,411**
3. **W: {T: |T| ≥ 1,983}**
4.  $TS \in W$
5.  $H_0$ : reject  
 $H_1$ : accept

Table 6: Statgraphics calculation for H2

<b>Correlations</b>		
	A.Female_ratio	A.Year
A.Female_ratio		0,3201
		(104)
		<b>0,0009</b>
A.Year	0,3201	
	(104)	
	<b>0,0009</b>	
Correlation		
(Sample Size)		
P-Value		

Source: Created by the author

**H3 The companies located in the so-called western world have higher occupancy of women on the board.**

H<sub>0</sub> In the EU & USA, the sex diversity on board is the same as in Asia.

ANOVA:

- 1. H<sub>0</sub>:  $\mu_1 = \mu_2$   
H<sub>1</sub>: non H<sub>0</sub>
- 2. **TS: F = 33,649**
- 3. **W: {F: F ≥ 3,934}**
- 4. TS ∈ W
- 5. H<sub>0</sub>: reject  
H<sub>1</sub>: accept

Table 7: Statgraphics calculation for H3 (1)

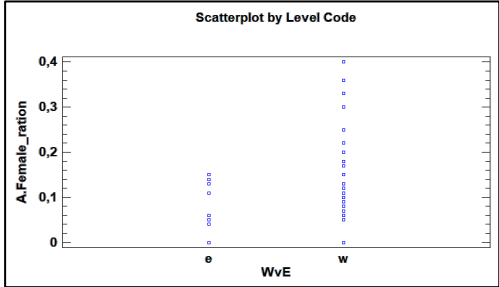
Variance Check		
	Test	P-Value
Bartlett's	23,2861	0,00000139603

Source: Created by the author

Table 8: Statgraphics calculation for H3 (2)

ANOVA Table for A.Female_ratio by WvE					
Source	Sum of Squares	Df	Mean Square	F-Ratio	P-Value
Between groups	0,229924	1	0,229924	33,65	0,0000
Within groups	0,69696	102	0,00683294		
Total (Corr.)	0,926884	103			

Source: Created by the author



Picture 5: Statgraphics data visualization

Source: Created by the author

### 5.4.5 Results

This subchapter firstly describes the reasons behind the decisions to either verify or falsify the individual hypothesis.

**H1 There is a positive relationship between sex diversity and financial performance.**

- Corporate performance has an independent relationship with the number of females on the board of executive directors.
- The hypothesis is falsified.

**H2 There is a positive relationship between sex diversity and the sample year.**

- Gender diversity and sample year are dependent variables.
- The hypothesis is verified

**H2 The companies located in the so-called western world have higher occupancy of women on the board.**

- According to the ANOVA and its Scatterplot, in Asia, corporate diversity on board is lower than in the so-called Western World.
- The hypothesis is verified.

## **6. Evaluation of the Results**

This chapter concludes the findings and outcomes of this study. The evaluation is divided into three subchapters. The first describes the found evidence of the influence of diversity on the organization. The second one wraps up the presented method of measuring inclusion in the organization. Finally, the last subchapter submits the possible suggestions for organizations to monitor diversity and inclusion.

## 6.1 Diversity Alone

Some of the referred studies prove that diversity has a direct and positive relationship with the company's performance. Other studies are on the opposite spectrum, with evidence proving the contrary. This study found no evidence of the positive relationship between the sex dimension of diversity and the ROA in the automotive sector. Nevertheless, the analysis has various limitations that must be taken into account. Firstly, the sample has only 104 observations, the relative minimum, to have statistically significant results. Secondly, the observations are from different years and could be influenced by countless economic inputs. Lastly, the correlation is not always necessarily a direct indicator of causation. Therefore, even if the correlation was observed in the analysis, it does not mean that only the diversity directly causes these effects.

The first secondary hypothesis searching for evidence of an increasing number of women on the executive board of international car manufacturers found a direct and strong correlation between the sample year and the number of women on the board. These results prove that diversity and inclusion are being targeted and that the strategies applied by the organizations appear to be effective. One limitation is that the influence of quotas is not addressed in this analysis.

Lastly, the second secondary hypothesis also finds evidence for its verification. The data shows that the companies located in the so-called western world have higher occupancy of women on the board. This result reveals evidence supporting the social dogma that the west is more progressive in the social problems regarding equality between men and women.

## **6.2 Inclusion Alone**

Diversity alone is not enough. As several references prove, the inclusion is why the diversity works, not vice versa, as many outside of field people occasionally believe. This work presents a standardized process that can be used to analyze inclusion in an organization. It is important to note that this evaluation should never be conducted alone. It should always include the diversity part.

The diversity is possible to measure alone since it is independent observation. Nevertheless, inclusion is very much dependent on a specific dimension of diversity. Imagine that the overall survey shows positive results, with only a few percent of participants not feeling included. One could interpret this as a perfect outcome. Unfortunately, under the surface, this small percentage could very well be the minorities underrepresented in the sample, which completely changes the outcome.

In conclusion, the methodology and questionnaire are presented. They can be used as a standardized way of evaluating diversity and inclusion in the company. The methodology is described in subchapter 4.3, and the questionnaire is attached in the appendix.

### **6.3 Complete Summary**

All the references and evidence from the research indicate that diversity alone is not a desirable concept. Diversity should be achieved by having an inclusive community and society. This statement directly connects with the researched question of whether diversity influences performance. It does not. The quantitative research supported by similar findings cited in this study proves it. Nevertheless, this does not mean that diversity is undesirable. The examination of various sources indicates that a diverse and inclusive organization would perform better than a more diverse organization with terrible inclusion.

The used model has many limitations. The used variable of performance (ROA) itself represents only a fraction of all the performance in the organization. An indicator such as EVA would be far more suitable to use, but it is often overlooked due to its complexity and data demand. One limitation that this study partially avoided is that different organizations have different organizational structures. The diversity could be more influential in the more innovative-driven structure than in the operative-driven one, which means that the hypothesis similar to those in this study should be tested preferably only on the sample of similar company structures.

Therefore, this master thesis advocates for the approach to measuring the influence of diversity on performance in a complex way. This means that the research should include inclusion testing to show if an organization is inclusive, most preferably how much inclusive it is. Diversity and inclusion should be measured in one instance, then the individual observations should be worked on further. This further analysis is briefly outlined in subchapter 5.3.

## Conclusion

This master thesis provides evidence regarding the influence of diversity and inclusion in international organizations. The study presents a solution for undistortedly measuring diversity, inclusion and performance based on the different types of organizations and performance metrics. Subchapter 5.3 speculates on expressing the diversity in one single variable. Unfortunately, the data needed for this analysis are not publicly accessible. For this reason, the analysis is conducted only for one dimension of diversity (i.e., sex). One single sector and type of organization is selected, and it is automotive.

The following three hypotheses were tested:

- H1 There is a positive relationship between sex diversity and financial performance.
- H2 There is a positive relationship between sex diversity and the sample year.
- H3 The companies located in the so-called western world have higher occupancy of women on the board.

This analysis found no evidence of the positive relationship between the sex dimension of diversity and the ROA in the automotive sector. The secondary hypotheses (i.e., H2 and H3) were verified, proving firstly that women's occupancy on the board has increased over the years and secondly that the so-called western countries are more progressive in the issue of women's representation in the high executive positions.

The way to evaluate all dimensions of diversities and their influence on the performance is proposed, but the data needed to conduct the research are extensive and often sensitive. For this reason, the complete evaluation should be done by a consulting firm or via the dissertation, considering the close cooperation with many organizations.

Finally, this master thesis suggests that organizations should measure inclusion and diversity in tandem. The evidence shows that analyzing only the diversity without inclusion could distort the outcomes of hypothesis testing. It should be in the interest of every organization to measure inclusion and diversity so that their initiatives are not only focused on the bare increase of the organization's members belonging to minorities but appropriately include them. Evidence proves that this approach is the most beneficial if a company wants to increase its overall performance.



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## **Appendix**

Due to the formatting, the alfa draft of the questionnaire is contained on the following page. The data and its sources are in the attached file.

## Belonging

1. I feel like I belong here at (organization name).
2. I feel part of the team, and I am welcomed here at (organization name).
3. My personal and professional relationships at (organization name) are as satisfying and fulfilling as I wish they were.

## Authenticity

4. I am accepted here at (organization name) for who I am.
5. It is comfortable for me to be and manifest my true self here at (organization name).
6. Colleagues at (organization name) perceive me positively when I express my personality and when I am truly myself.

## Fairness

7. Everyone is being treated equally here at (organization name).
8. We are all equal here at (organization name).
9. Discrimination does not affect my employment and professional growth here at (organization name).

## Integrity

10. Everyone here at (organization name) respects and values each other's opinions.
11. I feel comfortable when I express my opinions to others here at (organization name)
12. My opinions, which differ from the opinions of my colleagues here at (organization name), are accepted by others with respect and dignity.

## Trust

13. Communication throughout the (organization name) is honest and open.
14. I trust my colleagues in here at (organization name).
15. My colleagues here at (organization name) are sincere and approachable.
16. Internally and externally communicated information here at (organization name) is honest, authentic, and trustworthy.

## Safety

17. I feel mentally and physically safe in my job here at (organization name).
18. If problems of the type are present at a workplace; bullying, bossing, harassment, discrimination, etc., the (organization name) approaches the problem the right way to deal with it, and the perpetrators are justly punished.
19. If the problems listed above appear in my vicinity, there are ways for me to report the problem.
20. I do not feel threatened when I solve the problems (see question 6) or report them.

## Leadership approach to diversity and inclusion

21. All company leaders (all levels of management) are inclusive and accept diversity positively.
22. Suppose my leader nurture or tolerate a racist, homophobic, anti-semitic, or another exclusive environment. In that case, there are sufficient or me to report the problem.

### Primary Dimensions of Diversity

Physical	(categories based on degree of disability, e.g., 1 <sup>st</sup> , 2 <sup>nd</sup> , and 3 <sup>rd</sup> degree)
Mental	(categories based on degree of disability, e.g., 1 <sup>st</sup> , 2 <sup>nd</sup> , and 3 <sup>rd</sup> degree)
Sex	(Male, Female, and Intersex)
Gender Identity	(Men, Women, Non-binary, other)
Gender Expression	(Men, Women, Non-binary, other)
Age	(categories base on different generations, e.g., Gen. X, Gen Z)
Race	(White, Black, Asian, Other) – <i>Consider not including</i>
Ethnicity	(White European, African American, Asian, Others)
Attractiveness	(Impossible to measure with this questionnaire)
Appearance	(Impossible to measure with this questionnaire)
Stylization	(Impossible to measure with this questionnaire)
Religion	(Pagan, Jew, Christian, Protestant, Muslim, other)

### Secondary Dimensions of Diversity

Sexual Orientation	(Heterosexual, Homosexual, bisexual, asexual, others)
Language and Accent	(English – Indian, English – Scottish, others)
Family Status	(Do have parents, orphan, other)
Parental Status	(no kids 1 kid, 2 kids, more kids)
Marital Status	(unmarried, married/registered, divorced, widowed)
Education	(Elementary, High, Bachelor, Master, Ph.D., other)
Nation of Origin	(Same as company, other)
Geographic Location	(Distance from place of work)
Income	(Organization usually has this data)
Citizenship Status	(Citizen, foreigner)
Military Background	(Veteran, how many years in service)
Ideologies – e.g., economic, politic	(Impossible to measure with this questionnaire)
Criminal Background	(Convict, how many years)
Experiences – Life and Work	(Impossible to measure with this questionnaire)
Union Affiliation	(Yes - what kind of union, no)
Group Affiliation	(Impossible to measure with this questionnaire)
Skills, Knowledge	(Impossible to measure with this questionnaire)
Management Status	(Manages people, or not)
Job Department and Function	(Based on the job field, e.g., economic, or technology)
Habits	(Impossible to measure with this questionnaire)
Leisure behavior	(Impossible to measure with this questionnaire)
Network	(Impossible to measure with this questionnaire)