

Saimaa University of Applied Sciences  
Business and Culture, Imatra  
Degree Programme in Tourism

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# **The Role of Diversity Management in Human Resource Management in Hotel Business**

Bachelor's Thesis 2012

## **Abstract**

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Immigration has increased significantly in Finland during the last years, which can be seen also in the internationalization of the workforce. The objective of this research-based thesis was to understand the importance, advantages and challenges of cultural diversity in management in hotel business. The focus was especially on the role of diversity management in recruiting processes and human resource management.

The theoretical part of the thesis concentrated on the theoretic background of diversity management and cultural studies, since cultural background and value base of people have been discovered to have an influence on behavior and working habits. The information for the theoretical part was gathered from secondary sources such as literature, articles and Internet sources. The empirical part of this thesis concentrated on the Finnish point of view through two case companies Imatran kylpylä and Holiday Club Saimaa and the primary data from the companies was acquired through interviews using a qualitative research method.

As a result it could be stated that both of the companies found diversity management very important and beneficial concerning the future operations in their field of business. Understanding between the cultures and their consolidation were viewed as challenges for achieving the wished results and benefits. Contrary to expectations, the concept of diversity management was still relatively unfamiliar, although both companies had actually been taking some actions to integrate diversity management into their companies.

**Keywords:** Cultural Diversity, Diversity Management, Recruiting Process, Hotel Business

## **Tiivistelmä**

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Monikulttuurisuusjohtamisen rooli henkilöstöjohtamisessa hotellialalla, 49 sivua, 2 liitettä

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Maahanmuutto on lisääntynyt Suomessa merkittävästi viime vuosina, mikä näkyy myös työvoiman kansainvälistymisessä. Tämän opinnäytetyön tavoite oli ymmärtää monikulttuurisen johtamisen tärkeyttä, etuja ja haasteita hotellialalla. Painopiste oli erityisesti monikulttuurisuusjohtamisen roolissa rekrytointiprosessissa sekä henkilöstöjohtamisessa.

Teoriaosio keskittyi monikulttuurisuusjohtamisen teoriataustaan sekä tehtyihin kulttuuritutkimuksiin, sillä ihmisten kulttuuritaustan ja arvomaailman on todettu vaikuttavan käyttäytymismalleihin ja työskentelytapoihin. Teoriaosion tiedon lähteinä käytettiin kirjallisuutta, artikkeleita sekä Internet - lähteitä. Tutkimuksellinen osio keskittyi suomalaiseen näkökulmaan kahden case-yrityksen, Imatran kylpylän ja Holiday Club Saimaan kautta. Tietoa yrityksiltä hankittiin haastattelemalla, käyttäen kvalitatiivista tutkimusmenetelmää.

Opinnäytetyön tuloksena voidaan todeta, että molemmat yritykset kokivat monikulttuurisuusjohtamisen hyvin tärkeänä ja hyödyllisenä tulevaisuuden toimintojen kannalta omalla alallaan. Haasteena koettiin kulttuurien välinen ymmärrys ja yhteensovittaminen toivottujen tulosten ja hyötyjen aikaansaamiseksi. Vastoin ennakko-odotuksia, monikulttuurisuusjohtamisen käsite oli yrityksille vielä suhteellisen vieras, vaikka molemmat olivatkin jo joissain määrin alkaneet toimia integroidakseen monikulttuurisuusjohtamisen osaksi yrityksensä toimintoja.

Asiasanat: kulttuurillinen monimuotoisuus, monikulttuurisuusjohtaminen, rekrytointiprosessi, hotelliala

## Contents

1 Introduction.....	5
2 The influence of culture on human behaviour and working .....	7
2.1 Defining culture .....	7
2.2 Cultural diversity .....	8
2.3 Hofstede's 6D model.....	9
2.3.1 Power Distance .....	10
2.3.2 Individualism versus Collectivism.....	10
2.3.3 Masculinity versus Femininity.....	11
2.3.4 Uncertainty Avoidance .....	12
2.3.5 Long Term Orientation .....	12
2.3.6 Indulgence versus Restraint.....	13
2.4 Corporate culture .....	14
3 Diversity management .....	19
3.1 Motives for utilizing diversity management.....	19
3.2 Steps of organizational change.....	20
3.3 The advantages of diversity management for companies .....	21
3.4 The challenges of diversity management for companies.....	23
4 Recruiting process .....	25
5 The meaning of diversity management for human resource management ....	28
5.1 Creating a multicultural recruiting strategy .....	28
5.2 Manager's role, tasks and interaction.....	29
6 Research method .....	31
7 Case company presentations.....	32
7.1 Imatran kylpylä.....	32
7.2 Holiday Club Saimaa .....	33
8 Analysis of empirical data .....	34
8.1 Understanding the concept of diversity management.....	34
8.2 Diversity management in company strategy and everyday operations ....	35
8.3 The phases of the recruiting process .....	38
8.4 The advantages and challenges of diversity management .....	40
9 Conclusions .....	44
Figures .....	47
References .....	48

## Appendices

Appendix 1 Interview questions

Appendix 2 Haastattelukysymykset

# 1 Introduction

This bachelor's thesis aims to find out about diversity management's role in human resource management in hotel business. In today's globalized world the workforce will inevitably become more and more diversified, hence diversity management can be considered a current theme of continuously growing concern. In tourism and hospitality companies the staff changes more rapidly compared to many other industries, thus the recruiting as a process might differ as well, or at least it is probably more continuous.

During the last five years growing immigration has had a greater influence on the Finnish population than the natural population growth (Tilastokeskus C). The three biggest groups of nationalities that were granted a residence permit in 2011 were Russia, India and China (Maahanmuuttovirasto). In 2010 there were altogether 4350 Finnish citizenships granted to foreign citizens living permanently in Finland (Tilastokeskus B). As the amount of immigrants in Finland has been increasing during the past years, diversity management in my opinion should be utilized more to contribute the employment of the immigrants, hence gaining advantages of the workplace diversity. Furthermore, there will be a lack of Finnish workforce in the coming years as the big age groups are retiring, consequently new workforce from abroad will be required and the competition of skilled employees will only get more intense (Visti et al 2006).

In addition there have been regional changes in numbers of tourists in Finland; the amount of overnight stays increased in February 2012 the most in South Karelia, by 57% compared to February 2011. The Russians formed the largest group of foreign tourists in Finland, especially in South Karelia. (Tilastokeskus A) There have also been significant tourism investments made in the area during the recent years, as an example one of the case companies in this thesis, Holiday Club Saimaa, opened in 2011 being the biggest hotel in Holiday Club chain in Scandinavian countries.

Diversity management at present is entering Finland mainly through big multinational companies; hence this is one of the most crucial development areas in the near future in Finnish companies. Traditionally lack of language

skills, mutual unawareness and negative attitudes towards the immigrants have created an obstacle for the employment of the foreigners in Finland. However, labor market organizations and the European Union have launched projects to promote equality and prevent racism and xenophobia in work communities, thus improving the situation. Integrating diversity management into company's strategy and operations is easier in service than manufacturing companies, especially when the clientele already is culturally diverse. Therefore diversity management should be taken into account in tourism industry and let the employees utilize their unique skills. (Hofstede & Hofstede 2005, 368; Visti et al 2006.)

The objective of my thesis is to understand the importance, advantages and difficulties of cultural diversity in management, in particular human resource management, in hotel business. The more specific research question is: What is the role of diversity management in recruitment processes and human resource management in hotel business? In the empirical part of this thesis I will concentrate on the Finnish point of view of diversity management through case studies. There will be two case companies, Imatran kylpylä and Holiday Club Saimaa, interviewed in order to be able to compare the results and make conclusions. These companies were chosen, because they are among the largest companies in hotel business in South Karelia region, and as mentioned earlier, there is a major increase in the amount of Russian tourists in this area.

The theoretical framework for my thesis will be basically built around three topics; diversity management, recruiting process and combining these two to discuss the advantages and challenges of it. To be able to define and discuss diversity management, it is essential to determine and understand what is included in culture and cultural diversity, how these things together with different social backgrounds affect our behavior and interaction with other people. To avoid my thesis to become too extensive, it will be done from the management point of view, thus ruling out the employee visions and opinions on this matter.

## **2 The influence of culture on human behaviour and working**

In the following chapters the key concepts of this thesis, such as culture, cultural diversity, Hofstede's 6D model, corporate culture and diversity management are defined, to bring broader understanding on how culture influences our behaviour and working styles in a very multifaceted way. This will facilitate the discussion and bring understanding to the interview findings in the empirical part of the thesis.

### **2.1 Defining culture**

Defining culture in just one sentence is actually impossible, and the definitions vary according to the scholar asked. Culture affects our lives in a very multidimensional way representing both tangible and intangible elements. Culture provides the basis for human behaviour, thus the culture in which we grow up determines how we behave in different situations and helps to comprehend other people's behaviour. Culture affects the way of life in general and sets the rules for a society. It also creates the identities of individuals and has an impact on forming beliefs, attitudes, opinions and perceptions towards life and other people. Values and norms are shaped by culture as well; there are cultures that hold individual performance and materialism in high regard, and others that value taking care of others and sharing. (Reisinger 2009, 86 – 91.)

Culture is strongly connected with the traditions of a society for example in the form of music, handicrafts, art, various customs and style of architecture. Preparing food, ingredients used and eating times and habits are culture related too. Culture defines the appropriate dress code for different situations and also what is considered beautiful in that specific culture. Moreover relationships towards work, family, elders and superiors are influenced by culture. Verbal and non-verbal communication and interaction with other people are essential parts of culture and expressing oneself among others. In addition, culture affects the way of thinking and learning things and how individuals conform to changes in their environment. The concept of time varies a lot from culture to culture; some prefer absolute punctuality, while others have no problems with being late.

Various religions, colonization, imperialism, migration and travelling among other things have shaped the cultures of different areas and countries in the world, giving them their special features. (Reisinger 2009, 86 – 91.)

Culture can actually be depicted as an onion, which consists of different layers. The first, outer layer is called explicit culture that comprises of easily observable cultural artefacts such as clothing, language, style of architecture, food, art and monuments, which all are expressions of the deeper, inner layers of culture. The middle layer is composed of the norms and values; norms, which are the common judgement of right and wrong in a culture, and values, which delineate the ideals and what is good and bad in a culture. In the very core of the cultural onion the implicit culture can be found with the basic assumptions, which are so natural to us that we are not even aware of their existence, thus it may be impossible to explain somebody why we behave and do the things the way we do. Consequently, the implicit cultures are very difficult to uncover. (Trompenaars & Hampden-Turner 1997, 20 – 23.)

## **2.2 Cultural diversity**

Diversity of workforce can be determined to be variety and differences of people regarding their age, sex, religion, education, sexual preference, cultural background, physical and mental ability to work and perceptions of moral and ethics (Visti et. al. 2006). I will delimit diversity management in my thesis to examine the sectors of cultural diversity, religion and the perceptions of people for moral, ethics and the world in general, as all these are strongly connected to the socio-cultural background of individuals. Consequently factors such as age, sex, sexual preference, education and physical and mental ability to work will be excluded.

The concept of cultural diversity can be defined and interpreted in multiple ways. Extensively it can be determined as a variety of cultures and societies in the world, or in one region of the world in particular. Cultural diversity depicts groups of individuals with different characteristics and backgrounds as well as varying personal values and beliefs, traditions and perceptions of life in general. To delineate this definition, cultural diversity can also be scrutinized within a



specific organization or community by taking into account also the racial and religious differences, languages spoken, different nationalities and ethnic groups. (Reisinger 2009, 32 – 33.)

As there are no right answers to how to define culture or cultural diversity, there are plenty of interpretations among different ethnic groups and nations, and this concept has different meanings for different individuals. Each individual has some values, beliefs and perceptions of world shaped by their environment and the society they are living in. Traditions and customs are important as they give meaning for our lives. Although cultural diversity is understandably very difficult to measure, it is possible to refer for example to the amount of nationalities, religions or languages spoken within an organization, a certain area or in the whole world. (Reisinger 2009, 32 – 34.)

### **2.3 Hofstede's 6D model**

In order to understand the people one is working with, it is essential to understand where these people are coming from and to which bases their core cultural assumptions are founded on. This will help to understand their values and norms and working procedures that are different from our own. From national profiles we can learn what is important to the people in other countries and what kind of service and behavior they would like or expect from others. National profiles also provide an insight on what kind of patterns rule other people's behavior and thinking at work for example. Understanding these differences in core values help to manage people better and improve customer service, among other things.

Professor Geert Hofstede, a Dutch cultural researcher, has conducted probably the most famous research and theory about five dimensions of national culture that can be used to compare the value differences between countries and categorizing cultures. Although this study was carried out starting in 1967 among the IBM employees in different countries, it is still considered as a ground-breaking theory in cultural studies. Altogether over 80 countries have now been analyzed, even though he started with the 40 largest ones. Hofstede discovered first four dimensions of national culture, which included Power

Distance (PDI), Individualism versus Collectivism (IDV), Masculinity versus Femininity (MAS) and Uncertainty Avoidance (UAI). Later, in 1991, the fifth dimension called Long Term Orientation (LTO) was added based on Michael Bond's research. Furthermore, in 2010 a sixth dimension called Indulgence versus Restraint (IVR) has been included to the model based on Michael Minkov's analysis on 93 countries. (Hofstede, Web pages A; Häkli 2010)

### **2.3.1 Power Distance**

The Power Distance Index measures to which degree there is inequality in a society. Inequality appears in different forms; some people have more power than others, some gain more wealth and some have more status and respect over others. Power Distance is defined as *the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally*. In countries where PDI scores were high (unequal), children are expected to respect and obey their parents and other elders throughout their lives and ask for their advice, whereas in low PDI score countries (equal) children are taught to take control over their own lives and are treated as equals to their parents as soon as they are old enough. In high PDI countries there is a stricter hierarchy system where bosses and superiors are not very easily accessible, they have privileges and the subordinates expect to be told what to do. The low PDI countries represent the opposite, as hierarchy mostly exists for convenience and superiors and subordinates regard each other equal, except that their roles are unequal. Managers and superiors are easily accessible and subordinates would disapprove their status symbols and privileges like an expensive car. Countries with high power distance include for example the most Asian countries and eastern European countries, whereas the low power distance values were discovered in the Nordic countries and in German-speaking countries. (Hofstede & Hofstede 2005, 40 – 58.)

### **2.3.2 Individualism versus Collectivism**

Individualism versus collectivism refers *to the role of the individual versus the role of the group*. High individualism means "I" consciousness and taking care of oneself and the closest nuclear family only. It is important to be treated as

individuals and say one's own opinions, as everybody is accountable only for oneself. In collectivistic countries people are born to extended families with grandparents, uncles, aunts and cousins, thus family and other in-groups (e.g. organizations) are important to individuals and they are loyal to these groups and take care of each other. Maintaining harmony is crucial and losing one's face causes shame for the whole group, hence there are obligations towards the family and other in-groups. In individualistic countries occupational mobility is higher compared to collectivistic countries due to the fact that their employer-employee relationship does not develop to be as close as in collectivistic countries. High power distance and collectivism go many times hand in hand as do low power distance and individualism. Countries representing high individualism generally include wealthy countries such as the United States, Australia and Great Britain, and the collectivistic countries are usually poor countries like Indonesia, Colombia and Guatemala. (Hofstede & Hofstede 2005, 74 – 104.)

### **2.3.3 Masculinity versus Femininity**

In a masculine society achievement, success and recognition are highly valued, whereas a feminine society stresses relationships, taking care of others and the quality of life. In a feminine society emotional gender roles are overlapping meaning that both men and women should be modest and both genders can be tender and show feelings. Masculine society on the contrary separates the male and female roles distinctly; men are supposed to be tough, ambitious and assertive and women are the ones that are supposed to be tender, show feelings and take care of the quality of life. In high masculinity countries there is competition and need to excel, money and other possessions are very important and people live in order to work. High femininity countries respect striving for consensus, small and modest things are considered beautiful and leisure time is preferred to more money referring to the fact that people work in order to live. *Masculine culture countries strive for a performance society, feminine countries for a welfare society.* The most masculine countries include all the Anglo countries and some German-speaking countries, whereas the most feminine countries were found among the Nordic countries and some Latin

countries. (Hofstede & Hofstede 2005, 120 – 147; Häkli 2010.)

#### **2.3.4 Uncertainty Avoidance**

Uncertainty Avoidance Index measures the tolerance/intolerance of ambiguity in a society. Thus, Hofstede has defined uncertainty avoidance as *the extent to which the members of a culture feel threatened by ambiguous or unknown situations*. People in countries that scored high in uncertainty avoidance have a need for certainty and rules, and they do their best to avoid failures. In low uncertainty avoidance countries uncertainty is considered a normal feature in life, people are willing to take risks and there is a low level of anxiety in general about what will happen in the future. Unlike in low uncertainty avoidance societies, people in strong uncertainty avoidance cultures stay longer in one employer's service, they have an inner urge to work hard and they consider time being money. Weak uncertainty avoidance cultures have more ethnic tolerance and a more positive attitude for foreigners and immigrants than their counterparts; furthermore they support human rights for everybody. Countries that scored high in uncertainty avoidance included Latin American, Latin European and Mediterranean countries as well as Japan and South Korea. All other Asian countries scored low values together with the African, Nordic and Anglo countries. (Hofstede & Hofstede 2005, 167 – 203; Häkli 2010.)

#### **2.3.5 Long Term Orientation**

The fifth dimension Long Term Orientation refers to *fostering of virtues oriented toward future rewards* whereas the opposite short term orientation is about *fostering of virtues related to the past and present*. Typical features for long term orientation are acceptance of change, thrift, persistence and saving for tomorrow while striving for slow, long term results. Short term orientation represents the opposite; concern for stability and traditions, spending for today and expecting quick results. Countries with short term orientation scores are concerned with one absolute truth and universal perception of what is considered right/wrong and good/evil. Long term orientation countries instead can have many truths and whether something is considered good or evil can be judged according to the occasion. Examples of the long term oriented countries

are East Asian countries, whereas the Anglo countries are short term oriented together with Zimbabwe, Nigeria and Pakistan. (Hofstede & Hofstede 2005, 210 – 212, 232; Häkli 2010.)

### **2.3.6 Indulgence versus Restraint**

The sixth and latest dimension Indulgence versus Restraint is connected with happiness, leisure, having control of one's life and the importance people attach with the freedom of expression. People in countries that score high in restraint do not think it is important to freely express oneself and they often suppress the feelings of satisfying their needs and desires and regulate these with social norms. In societies scoring high in indulgence there are no such restrictions concerning enjoying life, freedom of expression and having fun. (Hofstede Web pages B; Youtube.)

In addition to Hofstede's cultural dimensions other scholars have identified fundamental cultural dimensions as well. Trompenaars and Hampden-Turner (1997) presented Parson's five relational orientations, of which individualism versus communitarianism is basically the same as Hofstede's Individualism versus Collectivism. Furthermore, there are universalism versus particularism, neutral versus emotional, specific versus diffuse and achievement versus ascription. In universalist cultures it is clearly defined what is right/wrong or good/bad and this is something that always applies. Particularist cultures instead judge each situation differently, according to the circumstances. The next dimension neutral versus emotional reflects how strongly feelings are shown and expressed. People in emotional cultures express their feelings both verbally and non-verbally using strong gestures and facial expressions whereas in neutral cultures such strong expressions and touching are taboos and people are rather calm and do not reveal what they are thinking. The difference between specific versus diffuse cultures is that in specific cultures different areas of life are considered specific cases and apart from each other while in diffuse cultures everything is linked together. Specific cultures are very precise, direct and transparent unlike diffuse cultures, which are indirect, ambiguous and evasive. The last dimension achievement versus ascription refers to how we

accord status to people in our societies. In some cultures status is granted based on the individual's personal achievements whereas in some cultures this is done based on for example the person's age, gender or education. (Trompenaars & Hampden-Turner 1997, 29, 48 – 49, 69 – 102.)

By examining Hofstede's and other scholars' findings on these cultural dimensions, it can be discovered that there are several different aspects affecting national cultures and thus determining people's behavior also in workplaces and organizations. Management practices, models and theories are bound to their cultural context; consequently they should not be blindly applied.

In conclusion, Hofstede has emphasized the influence of national culture on people by describing it "the Software of the Mind", consequently meaning that these core cultural assumptions are so deeply rooted in us that they affect and determine our behavior, perceptions and reactions to things in our daily lives and environments from our subconscious. Thus, it may sometimes be difficult to reason why other people perceive things differently and behave completely differently in situations compared to ourselves. (Hofstede & Hofstede 2005, 276.)

## **2.4 Corporate culture**

When people from different countries and cultures work together in the same company, there should be a common, consistent working culture and rules created to guide the operations of the company. This kind of a corporate culture inside an organization glues the people together to work according to the common patterns and ideals, thus increasing cohesiveness.

According to Trompenaars and Hampden-Turner (2004, 21), probably the best definition of corporate culture is the following by Ed Schein<sup>1</sup>:

*"A pattern of assumptions, invented, discovered, or developed by a given group, as it learns to cope with the problem of external adaptation and internal integration that has worked well enough to be considered valid, and be taught to new members, as the correct way to perceive, think, and feel in relation to these problems."*

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<sup>1</sup> Schein, E.H. (1985) Organization, Culture, and Leadership. San Francisco: Jossey – Bass.

Consequently, corporate cultures are formed not solely based on the external factors like the markets but they are also influenced by the people in the organizations, more precisely by their cultural backgrounds and preferences. Moreover, the system of authority, employees' visions of the company goals and mission and their own position in the company contribute the development of a corporate culture. (Trompenaars & Hampden-Turner 2004, 21; Trompenaars & Hampden-Turner 1997, 157.)

By using two different dimensions, **the equality – hierarchy** and **the orientation to the person – orientation to the task**, Trompenaars and Hampden-Turner (1997, 158) determined four different corporate cultures, which depict the relationship of employees to how they perceive the organization. In real life these four types of cultures are mixed, however this division provides an insight on how employees in these corporate cultures develop, learn, motivate and handle conflict situations et cetera. These four corporate cultures include The family, The Eiffel Tower, The guided missile and The incubator. (Trompenaars & Hampden-Turner 1997, 158.)

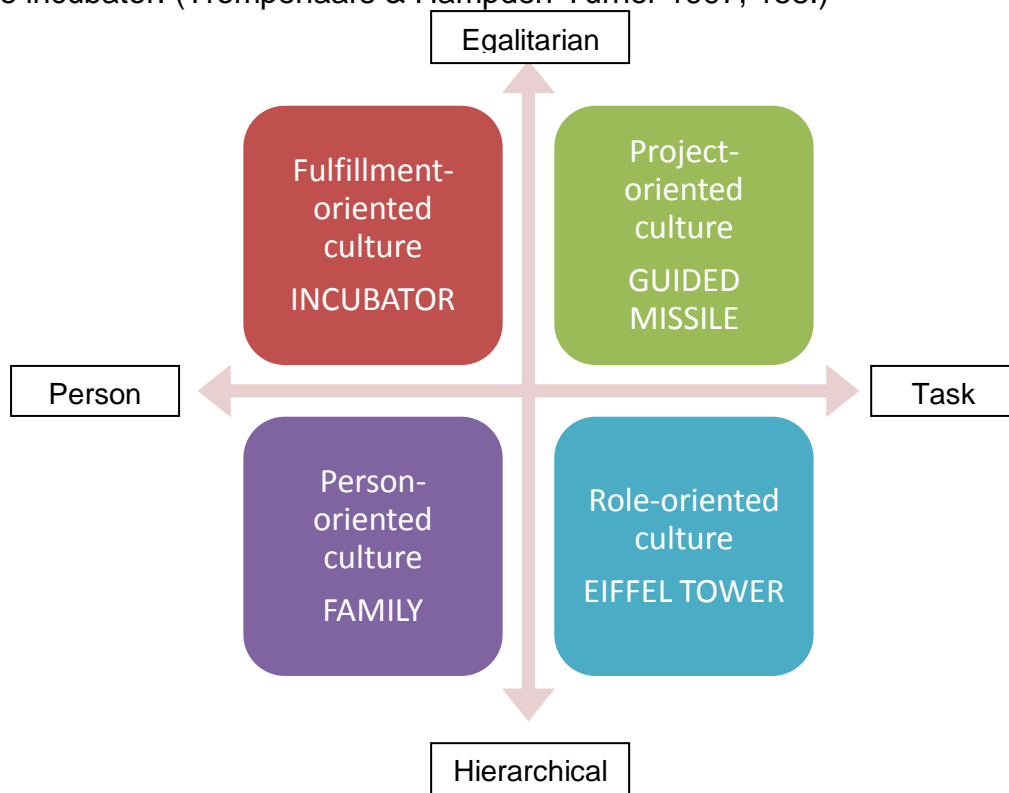


Figure 1. The four corporate cultures (Trompenaars & Hampden-Turner 1997)

**The family culture** represents a person-oriented culture with close relationships among the employees and the management level. This corporate culture is also a power-oriented culture, as the leader is seen as a father figure who holds the authority and has the knowledge to decide what is good and what should be done, thus there is a hierarchy between the younger and older members of the organization. The family culture requires the employees to do more than what is expected and they are devoted to have long careers in the same company. Furthermore, in this culture the fact that who is doing something is emphasized over what is actually being done, and praising is a more motivating factor than money. (Trompenaars & Hampden-Turner 1997, 158 – 166.)

**The Eiffel Tower culture** bases also on hierarchy, which can be seen in the management structure of the company as well; the management level at the top is narrow like the Eiffel Tower monument and the lower the organization goes the broader the employee levels. Contrary to the family culture, managers in this corporate culture are seen as roles rather than as persons and status is ascribed to the role as well. Job descriptions in general are very accurate and here too a person is searched to fill in a role. To change something in a corporate culture like this requires changing rules and procedures thoroughly, thus this culture would not fit in rapidly changing environments. The employees have a need for order, clear instructions and being able to predict the future. (Trompenaars & Hampden-Turner 1997, 166 – 170.)

Compared to the two hierarchical cultures, **the guided missile culture** is egalitarian. This culture is also task-oriented meaning that it is essential to complete tasks and reach goals and targets. Usually the guided missile culture prevails in a project group that has been put together temporarily, only to complete the particular project in question. Each of the professionals in the group are equal among each other and all of them are completing their own part of the project with expertise. The guided missile culture is easily adaptable also to quick changes, and as the people working in a project group are experts in what they do, they are more loyal to the projects they are participating rather than any specific company. Personal development is important to the people



working for a project team in a guided missile culture and the common enthusiasm acts as a motivator. (Trompenaars & Hampden-Turner 1997, 172 – 174.)

**The incubator cultures** are fulfillment-oriented and egalitarian, but also personal. This culture exists to facilitate creating innovative products in an environment where the other members give critique and help to develop the products and services. Working in a culture like this requires emotional commitment and due to the shared enthusiasm this work community could be very effective. Changes can be rapid, but as the members are all flexible and committed they will adapt to them. (Trompenaars & Hampden-Turner 1997, 175 – 177.)

Hofstede has as well, in addition to the national cultures, conducted a cross-organizational study among various different organizations in the Netherlands and in Denmark and consequently identified six dimensions of organizational cultures. The first one, **process oriented versus results oriented** describes how in the process oriented culture people tend to avoid risks and the working days do not differ so much from each other, whereas in the results oriented culture people strive to give their best to reach the goals and they face different challenges each day. The second dimension **employee oriented versus job oriented** separates the concern between the welfare of the people and the job to be completed. The third dimension **parochial versus professional** differentiates whether the companies hired people only according to their skills and competence (professional) or also strongly according to their family background (parochial). Parochial cultures also affected their employees' behavior at home whereas professional culture employees made a clear separation between private life and work. Dimension of **open system versus closed system** refers to how in open systems new employees fit very soon to the organization and feel themselves comfortable, while in closed systems only some people are able to fit into the organization and they need a lot of time before they can feel at home. The fifth dimension **loose control versus tight control** describes how in the loose control culture the attitude is rather laid-back towards schedules and costs and joking is common. On the contrary, in tight

control culture punctuality and cost-consciousness are strongly present and jokes about the job and the company unusual. The last dimension **normative versus pragmatic** divides the organizational cultures into pragmatic ones, where the results and customer satisfaction play a bigger role than the procedures, and the normative ones, where correct organizational procedures are more important than the end results. Hofstede's findings on this study state that all of the six dimensions can occur in all combinations with each other, thus they are *mutually independent*. (Hofstede et al 2005, 292 – 296.)

As can be understood from the previous paragraphs, people coming from different cultures have different kind of assumptions and concepts of management, which can become a challenge for a multicultural company. The stronger the corporate culture the more it reduces the managerial challenges, as the people are working according to the rules and norms of the organization and creating common values, leaving their own personal assumptions more to the background.

### **3 Diversity management**

Diversity management can be shortly defined as a *variety of management issues and activities related to hiring and effective utilization of personnel from different cultural backgrounds* (Cox & Blake 1991). During the last decade and already in the late 90s diversity management has started to gain quite a robust position in the human resource strategies of international companies and organizations. This has occurred largely due to the globalization and international merges, as they have influenced the movement of workers around the globe. The role of diversity management will even grow in importance and significance in the future. This concept is about fundamentally and comprehensively changing the procedures and ways of thinking, by focusing on new abilities, skills, attributes and experiences without prejudice. Recognizing the opportunities and advantages of diversity helps to develop and see the human resources in a new light. Diversity management is connected with inclusion, cohesiveness and synergy between the employees rather than individual performance. (Lahti 2008, 17 – 19, 32 – 33.)

Enabling the success of diversity management is the responsibility of the supervisors, thus implementing diversity management should be started on the management level, making the management culturally more diverse. Other crucial factors for success are the ways of interacting, the behavior towards the employees, networking, justness and overall respect for the individuals. As numerous studies have stated there are benefits in diversity management, consequently many companies strive for it to gain competitive advantage. What should be kept in mind is that in today's world companies are becoming more diversified as a natural change as well, meaning that this process should not be pushed too fiercely by preferring minorities and ignoring the qualifications for the job. This might even turn out to be a discriminating act towards the majority of job seekers. (Lahti 2008, 20 – 22, 25, 33.)

#### **3.1 Motives for utilizing diversity management**

The reasons and motives behind taking diversity management into use can be divided into internal and external possibilities and problems. External

possibilities propose new customer segments and recognizing their needs, social responsibility and a reputation as a pioneer on this field, whereas the internal possibilities include higher productivity, innovativeness, inspiring atmosphere and thus constancy of personnel. The internal problems could be conflicts and frustration among the employees, high staff turnover and problems with the quality of work. The external problems represent for example recruiting problems, losses in the amount of customers and stronger competitors. (Lahti 2008, 35 – 39.)

The companies should start paying more attention to both internal and external possibilities and opportunities to increase the utilization of diversity management. Companies should be strongly committed to their ethical motives and goals that provide an important prerequisite for development. The change in the way that the management thinks will help to achieve also goals and objectives related to business activities and human resource management. As nothing happens overnight, managers should realize that time, money and resources must be invested to gain real results of diversity management. (Lahti 2008, 35 – 39.)

### **3.2 Steps of organizational change**

Despite the various different theories about what kind of strategies to use in acquiring diversity in a company, there seems to be a unanimous view among the theorists about the levels of organizational change. Structural change, cultural change and behavioral change must take place in order to facilitate the development of diversity in the company. These three interact, reinforce and complete one another, thus there should be a sufficient amount of each to maximize the change towards diversity. (Holvino et al. 2004, 250 – 256.)

Structural change concerns the policies, practices and other formal systems, which affect achieving diversity. Examples of these include reviewing the recruiting process, organizing career development programs, implementing pay equity, job sharing and arranging work schedules and vacation policies to be more flexible. (Holvino et al. 2004, 250 – 256.)

Cultural change is a very complicated transformation as it is associated with the organization's values, beliefs and perceptions that contribute the forming of the organizational culture as it was discussed in chapter 2.4. The images, perceptions and informal rules that the individuals have in their minds influence the way they think and act. Through cultural audits the characteristics of the organizational culture can be recognized and their impact on various groups and individuals can be examined. The audits analyze values, rituals, symbols and behavior and what kind of effects they have on the company atmosphere and performance. (Holvino et al. 2004, 250 – 256.)

Behavioral change deals with the attitudes and assumptions of the individual employees as well as various groups and how they behave towards each other. The ways of communication, stereotyping and using humor are interpreted differently depending on the group or individual, consequently this could hinder increasing the benefits of diversity. To support the behavioral change diversity training should be organized to reduce stereotypes and negative attitudes towards other cultures and to prepare staff for the change. Moreover multicultural teams should be created to encourage tolerance and enhance innovativeness. (Holvino et al. 2004, 250 – 256.)

### **3.3 The advantages of diversity management for companies**

At its best, managing cultural diversity in a company can turn into competitive advantage, when diversity is really valued and included in the company strategy. The more there is diversity among the workforce, the more valuable of an asset it is for the company. (Reisinger 2009, 35.)

Cox & Blake (1991) identified six factors, which can be utilized to bring competitive advantage to the company through diversity management: cost, resource acquisition, marketing, creativity, problem-solving and organizational flexibility. Many of these factors are being addressed in other literature as well, and will be explained in the following paragraphs.

According to various studies turnover rates, absenteeism and low job satisfaction, all of which are often related to the lack of career growth opportunities, are much higher among female employees and cultural minority

groups. By putting more effort into diversity management the companies manage to attract and keep employees from different backgrounds, thus achieving cost savings in turnover costs and reduced absenteeism. Managing diversity well and utilizing different talents results also in higher, increased productivity and performance, thus increasing the cost savings and improving competitiveness. Resource acquisition refers to attracting and retaining culturally and demographically diverse workforce in order to enhance competitiveness. Lists have been made public of the organizations, which have succeeded in these efforts and created an image and reputation of an attractive and excellent employer for diversified workforce, consequently boosting their recruiting. (Cox & Blake 1991; Reisinger 2009, 35; Schneider & Barsoux 2003, 277 – 281.)

Since culture is one of the major factors affecting our consumer and buying behavior, it would be smart to hire people from different nationalities and cultural backgrounds as they are qualified to understand the needs and desires of these various customer groups. Consequently the multicultural teams are more probable to discover what kind of marketing and advertizing appeals to the different customer groups and how to develop better, more suitable and attracting products and services. Addressing the cultural differences when marketing products and services is crucial in the globalized world. (Cox & Blake 1991; Reisinger 2009, 35; Schneider & Barsoux 2003, 277 – 281.)

Researchers have concluded that culturally more heterogeneous teams are able to come up with non-traditional and non-obvious alternatives, as the minority perspectives can refresh and stimulate creative thought processes in the group. Consequently the diversity of workforce and their professional knowledge enhances and encourages innovative and divergent thinking and creativity, thus affecting product and services development in a positive way and increasing abilities to response customer demands and expectations. Furthermore, for example various language skills inside the company can result in a more personalized customer service. (Cox & Blake 1991; Reisinger 2009, 35; Schneider & Barsoux 2003, 277 – 281.)

Due to diverse work communities problem solving and decision making become

more effective, as there are various perspectives and aspects but also a richer base of experiences from which to scrutinize the dilemmas. However, in order to utilize this as a benefit and richness, the members of the work community must be aware of each other's cultural differences and this diversity must be managed. Cox & Blake (1991) state that "*Decision quality is best when neither excessive diversity nor excessive homogeneity are present*". Nevertheless there should always be some common values shared by the group in order to enable cohesiveness. Learning across cultures teaches the individuals to critically examine their own cultures, managing ambiguity and accepting that one best way of doing things does not exist. Understanding for example different religions and behavior related to them enables to identify special needs of the customers, which is of great importance especially in tourism industry and service industries in general. (Cox & Blake 1991; Reisinger 2009, 35; Schneider & Barsoux 2003, 277 – 281.)

Finally, applying diversity management results also in organizational flexibility and adaptability. This has been derived from two different facts. First of all research has shown that cultural minorities as well as women *tend to have especially flexible cognitive structures*, which means that they can for example accomplish working tasks that are multilateral and ambiguous. Similar abilities have been found among bilingual people who often represent ethnic minorities. Secondly, because integrating diversity management has already changed some policies and methods into a more flexible and tolerant direction, presumably the company will not be reluctant to other kind of flexible changes either. (Cox & Blake 1991.)

### **3.4 The challenges of diversity management for companies**

Diversity management sets some challenges for the companies as well. Misunderstandings and problems may come up due to the fact that there is lack of understanding the other cultures and lack of communication. Cultural misunderstandings can be avoided in service situations if the personnel is trained and has become aware of these differences. Nowadays when there is an increasing amount of tourists also from Asia and Eastern Europe, other language skills besides English become more and more important, too. If

diversity management and cultural diversity are not taken into consideration in the multicultural environment, the customer – employee relationship can be threatened when for example the service expectations and communication collide. Consequently this could harm the company's image in the customer's eyes. (Reisinger 2009, 36, 40 – 41.)

Especially in tourism industry managing the culturally different people becomes crucially important when thinking about the success of the companies. As tourism industry is a people-based industry, more attention should be paid to the cultural human resources management. Accordingly, the greatest challenge for the management is to recognize and respond to the diversity of the workforce, become aware of the cultural backgrounds and in addition identify the unique skills of the employees in order to be able to fully utilize them. As long as the diversity is not managed properly it cannot bring any advantages and is thus insignificant for the company. Poorly managed diversity could even cause disadvantage for the company, if there are conflicts between the employees, their working methods, how they manage time and in ways of perceiving things in general. Hence, strong corporate culture and systematic diversity policies and practices should be established to correspond to the needs of the specific company in question and facilitate the utilization of diversity management as a competitive advantage. (Reisinger 2009, 40 – 41; Schneider & Barsoux 2003, 278.)



## 4 Recruiting process

The starting point for recruitment is always that there is a new vacancy in the company available and the job description of this position has been determined and considered necessary. In order to be able to compile a job description, a job analysis must be conducted. This means gathering information about the requirements and contents of the different jobs in the company in question and then analyzing it. Well planned contents of the recruitment process are a prerequisite for a successful recruitment decision, thus enough time should be consumed to the planning. It is essential to examine the professional skills and qualifications of the applicants, but also the facts affecting their motivation, in other words willingness to work. The criteria on which the recruitment is based should describe the coming working tasks as accurately as possible, to attract a sufficient amount of suitable applicants. (Eräsalo 2008, 28 – 31; Mathis & Jackson 2009, 60 – 64.)

The recruitment process can be roughly divided into six parts; defining the criteria for the recruitment, acquiring the applicants, getting information from the applicants and of the applicants as well as giving them information, collecting and comparing the information received, making the decisions about the recruitment and informing the applicants about it, and finally monitoring and evaluating the success of the process and its consequences. (Eräsalo 2008, 30 – 31.)

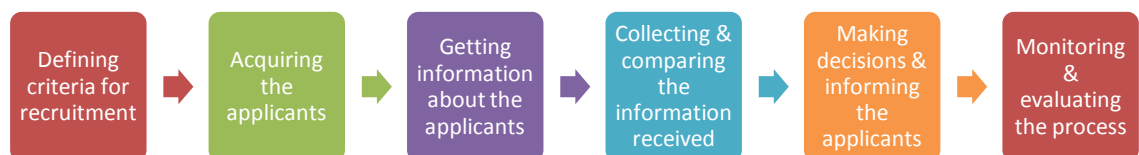


Figure 2. Different phases of the recruiting process

Defining the selection criteria begins with determining what the vacant position is and the knowhow required to perform the working tasks. The minimum requirements should be set concerning the education and work experience, but in addition the desired “extra requirements” exceeding the minimum level

should be considered at this stage to make the final decisions among the best applicants easier. Personal attributes should be defined in detail as well and possible changes in the job description in the future to be taken into account. (Eräsalo 2008, 30 – 32; Mathis & Jackson 2009, 64.)

When acquiring the applicants, both internal and external recruiting methods can be used. Internal recruiting includes using the existing databases of the current employees to search for persons matching the qualifications of the new vacant job, and also putting internal job advertisements for example to the company intranet. Sometimes promotions or transfers within the company solve the recruiting problems for a new vacancy, however this method requires new recruiting for the old positions. Method called re-recruiting can be utilized for former applicants and/or employees in case they have given a permission to preserve their applications and contact details. (Eräsalo 2008, 32 – 33; Mathis & Jackson 2009, 70 – 71.)

There are also several external recruiting channels to be utilized. University and vocational school recruiting are useful ways in finding talented people who are just about to graduate, but also to find students interested in completing an internship in the company and afterwards considering a full time job. Employment agencies together with private recruiting companies offer their services for companies, and they even do some preliminary evaluations and filtering on the applicants, thus reducing the workload of the company itself. The media can be utilized as a recruiting channel through job advertisements in the radio, magazines, newspapers and TV. Internet recruiting with job boards and companies' own web pages enable cheaper job advertising compared to magazines and newspapers, but it results also in a huge amount of applicants, which require more capacity from the recruiting team to process all the applications. There is also a danger of getting many unqualified applicants, and applicants who are not so seriously looking for a job, as the online application forms are rather quick and easy to fill out, just to see what happens. (Eräsalo 2008, 33 – 34; Mathis & Jackson 2009, 71 – 74.)

The selection process requires the companies to obtain sufficient amount of information about the applicants that is necessary and relevant regarding the coming job performance and company operations. This information can be divided to concern the applicants' education, abilities, social skills, personality characteristics and motivational factors. Primarily the information should be acquired from the applicants themselves through the job application, interviews and possible selection tests like psychological or personality tests, thus the employer must have the applicant's permission to inquire former employers for information or for example to check the criminal records or credit report. The job interviews provide valuable additional information and supplement the applications and CVs, when the questions and the interview situation in general have been carefully planned in advance. Structured interviews facilitate comparing the applicants. Interview is always interaction between the interviewer and the applicant, but there should definitely be a clearly defined objective from the employer's side. Moreover, the interview is not only about the applicant telling about oneself, as it is also an excellent situation to observing the applicant's behavior and communication skills. After the information concerning the applicants has been collected and compared, the company chooses the most suitable applicant for the job. The chosen person as well as the other applicants should then be informed about the decision, and made sure that the chosen person still is available for the job. Finally, the new employee's job performance and development should be followed, and both the employee's job satisfaction and colleagues' satisfaction be monitored to be able to further develop the recruiting process as a whole. (Eräsalo 2008, 35 – 44; Mathis & Jackson 2009, 75 – 81.)

## **5 The meaning of diversity management for human resource management**

In order to be able to contribute to increasing the cultural diversity and multiculturalism in a company, the HRM professionals must go through a change towards diversity as well. They need to adopt a new way of thinking, predict the coming changes and try something new. As the multicultural perceptions of things such as qualifications, competence and ambition differ from many national ones, new perspective must be taken into consideration when evaluating performance, goals and in recompensing, to enable fair treatment for everyone. For example in some cultures praising and rewarding one individual might cause an awkward situation and embarrassment for the person in question, as well as ambition and promoting one's own career development is considered obtrude. (Lahti 2008, 135 – 138.)

Since the HRM employees set the standards for recruitment and evaluate the qualifications and adequacy of the applicants, there is a great responsibility in the recruitment process concerning the implementation of justness and diversity in the company. They must design the job advertisements to respond the curiosity of the target group and make sure that these advertisements are consistent with the image, values and management culture of the company. The recruitment process is often seen as responsible for increasing the diversity and multiculturalism, but the results on the long run are depending on the behaviour and management style of the superiors, as the promises of the job advertisements should become reality. Regardless of the recruitment strategy chosen, its implementations should be coherent and transparent with the overall HRM strategy. (Lahti 2008, 140 – 143.)

### **5.1 Creating a multicultural recruiting strategy**

When the recruiting process is being carried out in a larger geographical and cultural area, there are bigger interpretative risks due to the different levels of language skills and cultural assumptions. Consequently acuity and precision are needed when for example creating the forms for recruiting and thinking about the keywords in them. In the recruiting process there should be recruiting

professionals involved who have specialized themselves in multicultural issues as this would enable the success of the process. In case a company wants to highlight the role of cultural diversity in the recruiting process, establishing a recruiting strategy to support this purpose will definitely help in making it a success. In the following paragraph certain prerequisites that need to be taken into consideration while compiling the recruiting strategy are being discussed. (Lahti 2008, 143 – 146.)

First of all the overall strategy of the company and its management should be updated. There should be a clear strategy concerning diversity management and how the company intends to utilize it, as well as an analysis of the present state, resources, new needs, and new skills to be acquired. The responsibilities and commitment also from management level need to be defined and operational principles be created especially for conflict situations. Secondly, all the standards, methods and procedures regarding the applications, interviews and selection criteria should be agreed on in a way that they support equality and cultural diversity and the right target group of the applicants should be reached. Furthermore, individual mentoring, development- and career planning in the longer time frame should be established to promote equality and also a just payroll system should be generated. In addition having a strong organizational culture, which encourages and respects every individual, creates an atmosphere of trust and confidence among the different cultures. Finally, evaluation and follow-up of the recruitment decisions should exist as well as a feedback system, in order to find out about the actual realization of diversity management. (Lahti 2008, 147.)

## **5.2 Manager's role, tasks and interaction**

Nowadays companies and organizations are very complex entities where everything is linked together and different operations have impact on each other. Especially the management level is challenged by the constant change and unpredictable circumstances when trying to further develop the company activities. Managers' role and tasks have changed and the challenge in the future is to encourage, inspire and support the employees' learning and to

develop their knowhow, in order to ensure the needed expertise in the company, and consequently facilitate the implementation of strategy and achieving company goals. It is crucial to improve the utilization of the personnel's resources and support inclusion, thus making everybody involved in the development. The manager must have new visions for leadership and understand that the social skills become more important when the workforce becomes more diversified. Thus, diversity management should be integrated in the company strategy, and all the practises, processes, structures and planning. (Savileppä 2010, 3 – 4.)

To avoid misunderstandings and lack of information, and to improve the effectiveness of operations, communication and interaction between people should be enhanced, moreover different methods and ways of communication should be developed. The company strategy should be divided into smaller, more concrete pieces to make it more tangible and thus more meaningful in everyday work. (Savileppä 2010, 10 – 11.)

Continuous personal and career development is a crucial part of diversity management and so is the follower-planning. However, follower-planning is one of the most demanding means of promoting sustainable cultural diversity, which requires long-span, consistent human resource management and equal opportunities to grow and be promoted. Follower-planning process aims to motivate the best talents and engage them to stay in the company by providing a chance to develop and gain higher positions. At the same time this process tries to secure the operations, knowhow and intellectual capacity of the company in the future, and to strengthen the image of a responsible company, which takes care of its employees and gives them recognition. (Lahti 2008, 149 – 150.)

## **6 Research method**

The thesis is a research based thesis, and as a research strategy case study was chosen in order to be able to gather more detailed information from just two case companies. Thus, for the empirical part the primary data was collected by using qualitative research methods. When choosing the most suitable research method it is crucial to examine what kind of information is sought, where and from whom. In this case qualitative method is the appropriate research method, because it is used when the research is concerning non-measurable, non-numeric issues and it is trying to find answers to how or why questions as well as understanding meanings and reasons behind the issue. One of the features of qualitative research is that the target (group) is chosen on purpose, like in this case. It is often preferred to have a real person acquiring the information, and interviews have been considered as main methods in qualitative researches. (Hirsjärvi et al 2008; Tonder 2009 A.)

Choosing the interview as a method to collect the data for my thesis provides several advantages. Face to face contact enables the interview situation to be flexible interaction and provides more possibilities to interpret the answers. Moreover, due to the flexibility of the situation, there is a chance for the interviewee to comment the subject more freely and more extensively than anticipated. In this thesis, a structured interview was used, which means that the questions and the order of the questions have been formulated in advance, but leaving space for additional questions when necessary. Recorder was utilized to save the interview for the analyzing part of the process. Secondary data from literature, articles and web pages provide the information to form the theoretical framework for the thesis, consequently creating the structure for the interview questions. Once the contact with the interviewees has been established, it facilitates approaching them again in case new questions come up during the analyzing process. (Hirsjärvi et al 2008; Tonder 2009 B.)

## **7 Case company presentations**

In this chapter the two case companies, Imatran kylpylä and Holiday Club Saimaa, are presented to provide general information about the products and services they offer. Moreover, some statistical information about the employees and the main customer groups is provided.

### **7.1 Imatran kylpylä**

Imatran kylpylä located in Ukkonniemi, Imatra, has started its operations already in 1985. Nowadays it is a very versatile company offering spa hotel services but also a wide range of free time activities. The ultimate attraction is the Spa Taikametsä, and the guests can additionally enjoy the pampering treatments of Day Spa Venla or Beauty Spa Wellamo. The accommodation can be chosen either from the 159 rooms of the Promenade Hotel and Spa Hotel or modern holiday houses with Holiday Apartments, Holiday Suites or Luhti Suites. In 2008 renewed Conference and Event facilities of Imatran kylpylä with various sized meeting rooms serve up to the capacity of 400 guests events. Imatran kylpylä has two restaurants Kastanja and Pistaasi, Club Tähtitaivas, Lobby Bar Helmi, Café Akseli G., Pool Bar and a Bowling Bar. Moreover, there is a Bowling Alley, Fitness Gym, Fitness Classes, Sports Hall and various other leisure time activities like cruises, tennis, cross country skiing etc. organized either by Imatran kylpylä itself or accepted partners. (Imatran kylpylä.)

Imatran kylpylä employs 100 permanent employees and uses additionally extra labor through employment agencies in the restaurants when needed. The CEO of Imatran kylpylä, Hannu Saarinen, has been working in his present position for two years, but has earlier been working in Imatran kylpylä as a rehabilitation manager for respected 16 years. The turnover of the company was 11.2 million euros in 2011. Majority of all the customers in Imatran kylpylä are Finns, however the accommodating customers can be roughly divided as follows; Russian 55%, Finnish 45%, others 5%. (Saarinen 2012.)



## **7.2 Holiday Club Saimaa**

Holiday Club Saimaa is a spa hotel that has been built in Rauha, Lappeenranta, where hotel and spa services have first been established over hundred years ago. During its history the place has been serving also as a hospital, but since November 2011 Holiday Club Saimaa has brought back the hotel and spa business to the area. Holiday Club Saimaa presents the largest project of its kind in the Nordic countries, considerably boosting the economic life of South Karelia region. (Holiday Club.)

Holiday Club Saimaa offers its guests a unique carnival and circus themed Spa Cirque de Saimaa and a Sauna World with several special saunas. Wellness and beauty treatments can be enjoyed in the Harmony Spa. Accommodation is provided with altogether 221 rooms in Club, Castle and Gant Hotels, but also in luxurious Holiday Club Villas or modern Holiday homes apartments. Holiday Club Saimaa has two restaurants Le Biff and Easy Kitchen, a sports bar O'Learys, Beatles Bar and a Lounge. For meetings, events and celebrations versatile and modifiable spaces are offered in the conference wing, and the NHL sized ice arena can be used with or without ice, hosting up to 1750 guests. There is a children's world, gym and possibility to play different ball games and naturally the pristine nature enables various recreational activities and outdoor sports. Even a golf course will be completed in the summer of 2013. (Holiday Club.)

Holiday Club Saimaa has at the moment 150 permanent employees and in addition utilizes rented workforce which totals up to 20 people. There are employees from altogether 22 different countries and 20-25 percent of all the employees are foreigners. The accommodating customers consist approximately 70% of Finns, 29% of Russians and 1% other. (Kontio & Kolehmainen 2012.)

## **8 Analysis of empirical data**

The interview concerning Imatra Spa was conducted with the CEO Hannu Saarinen. Both the Hotel Manager Tarja Kontio and the Human Resource Manager Merja Kolehmainen participated the interview regarding Holiday Club Saimaa. Merja Kolehmainen expressed some general views on behalf of the whole Holiday Club concern but also concerning Hotel Saimaa, whereas Tarja Kontio answered the questions solely based on her work in Holiday Club Saimaa. The interviews were conducted in Finnish, as all the participants were Finns, thus enabling more vivid and expressive communication in the native language.

### **8.1 Understanding the concept of diversity management**

When discussing the concepts of cultural diversity and diversity management, both of the interviewed companies told that they had not been thinking about these issues with these specific terms or from the theoretical point of view. Hannu Saarinen from Imatran kylpylä stated that cultural diversity arises as a result of the internationalization trend in tourism industry and can be seen when foreign guests from different cultural backgrounds come to visit the spa. He continued that people from different cultural backgrounds and religions bring special features with them, which affect the operations and functions of the spa, thus making the diversity a management issue as well. The differences of cultures must be taken into account in services, service concept and also in food products.

Holiday Club Saimaa views that cultural diversity is simply differences of people and occurs when both the customers and service staff come from different countries all over the world. Everybody can still work in harmony and together become more than the sum of its parts, while utilizing the best parts from all over the world. Tarja Kontio perceives diversity management to be the leading of multicultural workforce, the ability to bring out and highlight the “right” things in every culture, making all the people work within the same framework towards a common goal. All this requires a little bit different things from management depending on the backgrounds of the people and where they come from. Merja

Kolehmainen added to this definition that it is also utilizing all the possibilities of diversity both from the employer's and employee's point of view and utilizing the whole scale of diversity, including factors such as age and disability.

Like mentioned in the introduction of the thesis, diversity management has not yet gained any firm position in the Finnish companies. Consequently, it is understandable that the concepts were not so well known in the case companies. However, as both of the companies had, to some extent, started to take diversity management into use, it is slightly surprising that the concepts were not so profoundly digested. As the amount of international tourists increases in the future in South Karelia, the importance of diversity management grows as well, meaning that introducing it in the companies should be enhanced, starting from understanding the concepts.

## **8.2 Diversity management in company strategy and everyday operations**

Imatran kylpylä has currently a strategy update process going on where they are going to take the internationalization issues into account as well as the knowhow of the personnel and recruiting related issues. Now that this interview for the thesis brought these things up, Hannu Saarinen estimates that he is probably going to highlight these issues a little more in the strategy update process.

In Holiday Club concern they have not made any concrete strategies concerning diversity management, but as it becomes reality in the future it also starts to get more visibility, especially now through their pilot project in Hotel Saimaa. Two of the most visible intentionally made strategic decisions in Holiday Club Saimaa are that the working language is English except when all the employees present speak Finnish, and that they had an international approach in the recruiting process as they decided to hire people from all over the world. The reason for the latter was the desire not to create a Finnish – Russian confrontation, but to mix all the nationalities. While expanding abroad and also along Hotel Saimaa they need to start considering changing the working language into English in the whole concern.

In the light of the theoretical knowledge gained earlier in this thesis, Holiday Club could have taken diversity management more into consideration from the strategical point of view before starting to implement it in practice in Hotel Saimaa. This would have enabled them to take full advantage and helped to prevent possible troubles and failures.

When thinking about diversity management in everyday situations and cultural encounters, Hannu Saarinen finds it difficult to mention any concrete examples, however he highlights the service culture in Imatran kylpylä, as they serve foreign guests every day in various customer service situations. He continues that it is difficult to say how diversity management can be seen daily on management level, as they always tend to emphasize the service encounters and the whole entity, thus highlighting customer satisfaction and experiences during their stay.

On the other hand, diversity management in Holiday Club Saimaa can be identified for example as hassle of languages, as the concern level communications happens in Finnish and English and there are at least Finnish, English and Russian spoken every day at work. Also the staff's meals are organized so that the various religions are taken into consideration. Multicultural working environment demands also more from the management level and the supervisors, for example pictures to illustrate working instructions, demonstrating things for housekeeping to show how things really are done, and explaining the concept of time and working time in Finland.

As discussed in 2.1 Defining culture – chapter, in different cultures there are completely divergent ways of perceiving and managing time, thus emphasizing the Finnish way of working time is important at the workplace. In addition, the authority of a manager varies in different cultures, thus there has been discussion in Holiday Club Saimaa about whether or not a female or a younger manager is believed. The question of authority can be directly linked to Hofstede's Power Distance Index discussed in chapter two. In some cultures power and leadership are in the hands of the older, usually male, members of society, hence for a person coming from this kind of a cultural background

adapting to the Finnish management culture may not be so easy.

When it comes to manager's attitudes and how they deal with diversified workforce, there have not been any conflicts in Imatran kylpylä and it has been seen as an asset and richness to have many nationalities like Estonian, Russian and East Asian working together. The permanent staff is renewed only gradually as the company has been operating for a long time and there are many long employment relationships, however nowadays often an employee from a different cultural background replaces a leaving employee. Both the new permanent employees and the employees of various nationalities coming to work through the employment agencies are all welcomed as equal members of the work community, and according to Saarinen no difficulties have been identified from the management point of view. He states that diversity and multiculturalism are inevitable and necessary in today's global world, where both the customers and employees are multicultural.

In Holiday Club Saimaa the Finnish managers and supervisors have also been satisfied with the diversified workforce, although at the beginning they were a bit scared due to the fact that it is still quite rare in Finland to have English as the working language and they did not believe in their own language skills. Now both the superiors and the employees have been very grateful, since they have gained new courage to use a different language and improve their language skills in addition to the other working skills. There are not only Finns in managerial positions; some of the managers are foreign nationalities as well and some have already been raised to these positions as they have been so good at their work.

It is great to hear that in both Imatran kylpylä and Holiday Club Saimaa the experiences of the culturally diversified workforce are as good as stated above. Even though everything has been running smoothly so far, getting acquainted with different cultures would still increase the understanding both ways and help to prevent possible conflicts smoldering under the surface.

### **8.3 The phases of the recruiting process**

The recruiting process appears to be very similar both in Imatran kylpylä and Holiday Club Saimaa, following the general pattern of a recruiting process depicted earlier in this thesis. First there occurs a need for a new vacancy, to strengthen the knowhow and service, thus the needed requirements for this position are defined to identify what kind of a person would be the most suitable one for the job. Imatran kylpylä uses first head hunting to check their own networks before the external recruiting, whereas Holiday Club utilizes both internal and external recruiting usually simultaneously. Both companies have used the services of an employment agency and recruiting company to facilitate the process in addition to the more traditional newspaper and Internet advertisements. The interview phase is often conducted by the department managers, as the top management trusts that each department head knows best what kind of skills are required in that certain department. Naturally Hannu Saarinen in Imatran kylpylä and Tarja Kontio in Holiday Club Saimaa together with Merja Kolehmainen participate in the manager level recruitment. During the qualifying period it is followed how the new employee is adapting to the new job and working environment and monitored whether the recruiting decision was successful.

For Holiday Club concern Hotel Saimaa has been a special case concerning recruitment, because at the beginning the whole staff had to be hired at the same time and recruiting company's help was essential due to the lack of their own resources. The managers were recruited first in order to enable their participation in selecting the team members. The fact that the applicants came from all over the world added an extra challenge for the recruiting process. Even though Holiday Club concern's other employees contributed and supported the opening of Saimaa, only one person was recruited internally for the new spa hotel. As was discussed in chapter 5.1, when the recruiting area becomes larger geographically and culturally, the recruiting personnel should be specialized also to diversity management and cultural issues, hence this is something for example Holiday Club Saimaa should address in the future.

Each company has its own features that it wants to highlight in the recruitment process, consequently setting some basic requirements for the applicants. Both Holiday Club Saimaa and Imatran kylpylä emphasized the requirements to be specified according to the vacant position; however some basic qualifications are valued from all employees. Imatran kylpylä stresses the overall suitability for service sector and willingness for customer service, hence the most important requirement is the right personality. Almost without exception English and Russian language skills are wished and can be turned to the applicant's advantage. Moreover, because sufficient Russian language skills still are lacking in Imatran kylpylä, the company offers all its employees a possibility to take part in a Russian language course, as they find it important for the staff to know at least the greetings, welcome wishes and other small talk.

This is an excellent and important way of putting effort to more personalized customer service, like discussed in the chapter of advantages that diversity management could bring to companies. Also from the staff's point of view, it is supportive to have the opportunity to develop oneself further and interesting for the Finns to work in a company that is taking the steps towards internationalization while staying in home country.

One of the appreciated values in Holiday Club concern is showing one's own initiative and entrepreneurial skills, thus being able to independently take over one's own field at work. In Holiday Club Saimaa English is one of the basic requirements due to the diversified staff and the staff should be able to stand some pressure as well, as the beginning of a business does not always run absolutely smoothly. In addition good managerial skills are held in high regard, because of the relatively large teams to be managed.

While identifying diversity management features in recruitment, the importance of language skills, especially English and Russian, stands out in both companies. This can be understood concerning the location in the proximity of the Russian border. Imatran kylpylä states that they are primarily looking for employees with experience and knowhow from service industry rather than certain nationalities, however they have been actively making cooperation

agreements about student internships with educational institutions in Estonia and Russia as well as with Saimaa University of Applied Sciences hoping to possibly find some future employees through this cooperation. They also have direct contacts to other hotels abroad, which have enabled employee exchange for example between the kitchen staff, consequently becoming visible for the customers too in the form of special menus such as “Russian soup weeks”. Hannu Saarinen estimates that cooperation of this kind will increase in the future. Utilizing cooperation like this is a good way of gradually increasing culturally diverse workforce, thus increasing the knowhow from other cultures.

Already from the beginning Holiday Club Saimaa did not want to create a Finnish – Russian confrontation, but decided to recruit people from all over the world. They have been aware of the cultural diversity, but as all the employees were new and had the same starting point in the company, diversity became self evident and nobody is distinguished from the others. The Hotel Manager Tarja Kontio states that in Finland companies do not seem to have the courage to hire a foreigner to an “old work community”. 20% - 25% of the employees in Holiday Club Saimaa are now foreigners and the managers would want even more international people. Tarja Kontio finds it crucial for the staff to have language skills, an open outlook on life, understanding other cultures and having interest in other cultures’ customs and habits. This is vital in order to have cohesiveness and to really benefit from the diversified workforce, as discussed earlier in the theoretical part.

#### **8.4 The advantages and challenges of diversity management**

When discussing the importance of diversity management and how it has been taken into account in Imatran kylpylä and Holiday Club Saimaa, it is essential to remember that the starting points for these two companies are totally different; Imatran kylpylä started operating already in 1985 and Holiday Club Saimaa was opened in 2011. In Imatran kylpylä the staff changes gradually, but Holiday Club Saimaa was able to recruit the whole personnel from the start.



Hannu Saarinen considers diversity management absolutely necessary and important especially in service industry, although he admits that the concept of diversity management is still a bit unfamiliar:

*“It is very important, but I still need to think over this concept of diversity management myself; however I do not see it as any kind of a problem or a difficulty.”*

Like earlier addressed, there should be enough of knowledge about diversity management before starting to integrate it into the company strategy and operations. Tarja Kontio explains that diversified workforce in Holiday Club Saimaa has quickly become so normal that the employees do not pay attention to it anymore; they are just a group of people working together but coming from different parts of the world and different backgrounds. She views this definitely as a positive phenomenon and adds that in order to operate Holiday Club Saimaa and gain the wished results and customer satisfaction there must be understanding towards other cultures and why people act differently. This will also enhance identifying the needs of various customer segments.

Imatran kylpylä and Holiday Club Saimaa are unanimous about the fact that diversity management will definitely bring benefits for the business. Hannu Saarinen sees that having employees from different cultures improves the service quality and broadens the service. Tarja Kontio on the other hand wants to remind about the big age groups retiring in Finland, hence we should open-mindedly be looking for good workforce abroad. When the staff is tolerant and approbative towards other cultures it will be passed on to customers as well to show that everyone is valued the way they are. Holiday Club regards diversity management as an opportunity, which could be expanded to other locations in the concern and even more in Hotel Saimaa, especially in management positions as there already are good individuals growing to these positions. This is exactly what was highlighted in the fifth chapter about follower-planning; motivating the best talents by giving them opportunities to develop in their career.

Having English as a working language in Holiday Club Saimaa provides a great opportunity to people, who earlier have had difficulties with getting employed because of the language barrier. Tarja Kontio mentions that they have had employees also from the nearby refugee center, but now that the center is moving to a more distant location, it will unfortunately make things more difficult to the refugees due to transportation problems. Like also mentioned in the introduction of the thesis, the language barrier has traditionally been a huge obstacle for the immigrants when searching for a job. At the same time this is an opportunity for the Finns to work in an international environment, although staying in Finland.

In addition to the benefits, there are always disadvantages and challenges in every matter, diversity management being not an exception. Hannu Saarinen is concerned about the success of the recruitment decisions, as there is the danger that the new employee from a different cultural background may not adapt to the Finnish work community as well as hoped. In his opinion they still have a lot to learn about diversity management and cultural differences, for it requires tolerance, raising awareness and understanding towards other cultures and religions in order to reach a productive and harmonious coexistence in the work place. According to Saarinen, especially young people are already very familiar with internationalization, thus they do not have difficulties adapting to new circumstances.

From Tarja Kontio's point of view diversity management produces more work due to the misunderstandings, having to explain the working instructions more specifically and such, however, none of these issues are insuperable. Furthermore, it is a challenge to maintain the tolerant atmosphere, consequently preventing racism. In Holiday Club Saimaa they have a zero tolerance for racism and so far nothing has occurred. Tarja Kontio has even been rewarded by the Finnish Red Cross for her work against racism. This is how she commented on the acknowledgement:

*“It is very nice that the Finnish Red Cross noticed this when there was this “week against racism”. All in all it has interested the people very much that we have hired people to work from all over the world and there has been a lot of discussion about it. Somehow here (Hotel Saimaa) the people felt that it was a kind of a reward that we have been doing the right thing, as we received this acknowledgement. It also helped us to know we are on a right path, and it was not silly to start doing this; it is just how it is in today’s world and in the future.”*

In conclusion, both of the case companies addressed the improvement of service quality and identifying the needs of the different customer groups, when talking about the advantages diversity management could bring to the companies. After utilizing diversity management for a longer period of time and also after becoming acquainted with this thesis as a whole, I hope that both companies could identify additional chances of gaining benefits through diversity management. In addition to the customer service benefits mentioned by the case companies, advantages related to cost reductions, problem-solving and enhanced creativity could be achieved, just to mention a few, that were discussed in more detail in the chapter 3.3. The case companies concern for possible conflicts and not being able to adapt to each others’ cultures is justifiable, however these issues could affectively be prevented by raising awareness among the employees.

## 9 Conclusions

During the last years immigration to Finland has increased significantly and as a result of that Finland is becoming more international each year, also concerning workforce. Therefore diversity management is definitely going to play an important role in the future in Finnish companies. Both of the case companies were unanimous about the fact that diversity management will unquestionably bring benefits for companies, especially in tourism industry.

A lot of research evidence exists about what kind of advantages diversity management can bring to companies, how it should be included in company strategies and how it should be implemented. However, most of the studies concerning diversity management have been conducted in the United States or Great Britain and therefore generalizing the results also to Finnish companies must be done with caution. The United States and Great Britain have traditionally been the melting pots of different cultures, thus diversity management has existed in these countries much longer than in Finland, where immigration has not been popular until the recent years.

According to the case companies the biggest benefits and advantages of diversity management will be achieved through improvements in customer service and identifying the customer needs. Challenges were seen in recruiting the right people who are able to adapt to the work community and vice versa. Being able to understand each others' cultures, maintaining cohesiveness and in general making everything and everyone work together were also viewed as challenges at the work place.

Due to the very different starting points of the case companies, the approach towards diversity management has been different as well. Holiday Club Saimaa had the chance to make the strategic decision to hire people from all over the world, as they recruited the whole personnel at once, whereas Imatran kylpylä has been operating since 1985 and is taking the change gradually because of the many long working relationships. As stated in the introduction, Finland is becoming an attractive country for immigration as a result of the big age groups

retiring and need of new workforce from abroad. However, there should be some training and open-mindedness to facilitate the immigrants' adaptation into the Finnish work communities, but also training for Finnish companies to learn about the benefits of utilizing diversity management.

As a result of this Bachelor's thesis the reader is able to understand the importance, advantages and challenges of cultural diversity in management, in particular in human resource management, according to the objective defined at the beginning of the thesis. In addition, suggestions were given about how to start integrating diversity management to the company strategy and operations, and what kind of things should be taken into account.

Consequently the research question can be answered as follows: The role of diversity management in human resource management in Finnish hotel business is increasing due to the influence of globalization; however it has not yet gained a very firm position. The concept of diversity management is still relatively new in Finnish companies in general, thus the integration of it is taking place only gradually, and the initiative must come from the management level. According to my knowledge Holiday Club Saimaa is a pioneer in Finnish hotel business utilizing diversity management in this extent, consequently in a couple of years different results could be received. Contrary to expectations, the concept of diversity management in case companies was still relatively unfamiliar, although both companies had actually been taking some actions to integrate diversity management into their operations.

This thesis has provided me very valuable information about diversity management, an interesting and current subject, which will definitely help me in my future career. In this globalized world no matter where I will work, understanding customers' and co-workers' cultural backgrounds will help me to understand their ways of thinking, acting and behaving in different situations. I also learned how diversity management can be utilized to bring competitive advantage to a company. In addition I was able to take a closer look at some of the responsibilities of the human resource management department, another personal interest of mine.

Now that this thesis concentrated on diversity management from the management point of view, I believe there would be a possibility of doing another thesis by focusing on the employee perspective on this matter or by choosing another industry to examine. I do hope that especially the theoretical part of this thesis can provide companies information about this subject and arouse some discussion and thoughts concerning their own diversity management approaches, and how to improve them, but also to give the companies a spark to learn even more about diversity management.

## Figures

Figure 1. The four corporate cultures (Trompenaars & Hampden-Turner 1997)  
p. 15

Figure 2. Different phases of the recruiting process. p. 25

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Youtube. Hofstede – example of the 6<sup>th</sup> dimension

<http://www.youtube.com/watch?v=PVBkjobD8ao&lr=1&feature=mhsn>

## **The interview questions**

1. How do you understand cultural diversity?
2. How do you understand diversity management?
3. Can diversity management be seen in your company strategy? How?
4. Can diversity management be seen in everyday operations? In what ways?  
Please give concrete examples.
5. How do the managers/supervisors deal with diversified workforce?
6. Why is / Why isn't diversity management taken into account in your company?
7. Why do you consider diversity management important or not important?
8. What are the different stages of your recruiting process?
9. What is important in your recruiting process? Do you have any basic requirements?
10. How do you search for the applicants? Which recruiting channels do you use?
11. What kind of features of diversity management can you identify in the recruiting process of your company?
12. Which of these features do you consider to be the most essential ones?
13. What kind of advantages / disadvantages / opportunities / challenges has diversity management been bringing to your company or could bring to your company?

## Haastattelukysymykset

1. Kuinka ymmärrätte käsitteen kulttuurillinen monimuotoisuus?
2. Kuinka ymmärrätte käsitteen monimuotoisuus johtaminen eli diversity management?
3. Näkyykö monikulttuurisuusjohtaminen yrityksenne strategiassa? Miten?
4. Näkyykö monikulttuurisuusjohtaminen yrityksenne jokapäiväisissä toiminnoissa? Millä tavoin? Mainitse konkreettisia esimerkkejä.
5. Kuinka esimiehet kokevat ja käsittelevät monimuotoista työvoimaa?
6. Miksi monikulttuurisuusjohtaminen on tai ei ole otettu huomioon yrityksessänne?
7. Miksi koette monikulttuurisuusjohtamisen tärkeänä tai ei tärkeänä?
8. Mitkä ovat rekrytointiprosessin eri vaiheet yrityksessänne?
9. Mikä on tärkeää yrityksenne rekrytointiprosessissa? Onko yrityksellänne perusvaatimuksia hakijoille?
10. Kuinka etsitte työnhakijoita? Mitä rekrytointikanavia käytätte?
11. Mitä monikulttuurisuusjohtamisen piirteitä tunnistatte yrityksenne rekrytointiprosessista?
12. Mitkä näistä piirteistä koette tärkeimpinä?
13. Millaisia hyötyjä / haittoja / mahdollisuuksia / haasteita monikulttuurisuusjohtaminen on tuonut tai voisi tuoda yrityksenne?