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Diversity management across borders: the role of the national context

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Abstract

Purpose – The purpose of this paper is to analyse the question how context-specific diversity management (DM) is and whether it is transferable by organisations.

Design/methodology/approach – The authors explore context specificity and transferability of DM with the example of an Austrian company in Bosnia and Herzegovina. Based on the relational framework for the transfer of DM practices the authors empirically examine differences between headquarters and subsidiaries.

Findings – The empirical analysis reveals challenges for the transferability of DM and thus different approaches in the analysed company. The authors do not identify a significant transfer of DM practices. The findings are in line with the relational framework and suggest that headquarters must be treated separately from foreign subsidiaries, which theoretical models should take into account.

Research limitations/implications – Future studies would benefit from a more holistic design not only based on the managements' perceptions. A comparison with the situation in other companies in transition economies would further increase generalisability.

Practical implications – The authors underscore the need for diversity as a strategic approach to management. Organisations benefit from considering context specificity and should be aware that DM practices in headquarters must not be transferable to subsidiaries. Although theoretical models are useful to identify diversity motives and strategies, their application in practice needs consideration of the context.

Originality/value – The paper tackles the issue of context specificity and considers motives and strategies for DM. The case study sheds light on the link between headquarters' diversity strategy and practice in a subsidiary and contributes to deficient research for transition economies.

Keywords Ethnicity, Diversity management, Transition economies, Context specificity, Transferability

Paper type Research paper

Introduction

Diversity management (DM) seems to have become a buzzword of management practice. Thus, many studies have focused on different aspects of diversity in organisations: gender mainstreaming (e.g. Hanappi-Egger, 1996), age diversity (e.g. Simons *et al.*, 1999), or ethnic minorities (e.g. Cui and Choudhury, 2002). Still, little is known about DM in different contexts, particularly if DM as an organisational practice is transferable (Özbilgin, 2008). Dass and Parker (1999) argue that there is no best way for organisations to manage diversity as the implementation of DM depends on the pressure of the internal and external environment. Accordingly an organisation will more likely integrate DM, if a high pressure and value exists in the organisational environment (see Özbilgin, 2008). Yang and Konrad (2011) postulate that the implementation of DM differs due to organisational goals, industry needs as well as a complex mix of legislation and national policies.

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This leads to the questions of how context-specific DM is, and how it is implemented by organisations operating in multiple contexts. Scholars argue that DM is shaped by social and organisational factors and the interactions among them, identifying context as an important element in studying DM (Zanoni, *et al*, 2010). Still, there is a shortfall of diversity research in organisations operating in different contexts, especially in transition economies (Daya, 2014; Shen *et al*, 2009). Several scholars (e.g. Edwards *et al*, 2013) analyse the influence of context on transferring organisational practices across borders. In DM only recently studies have focused on analysing the interplay between context and DM (notably Pringle and Ryan, 2015; Greeff, 2015). We contribute to this discussion by focusing on DM in different contexts using the example of a financial company from Austria, a Central European economy and a European Union (EU) member and its foreign subsidiary in Bosnia and Herzegovina (hereinafter “Bosnia”), a transition economy in South-Eastern Europe (SEE). Such a focus results from a strong presence of Austrian companies in Bosnia, especially in the financial sector (FIPA, 2012).

We contrast different contexts and examine the transferability of DM practices, with a special focus on ethnicity. The analysed company seems suitable for our case study as initiatives such as the implementation of DM in the human resource (HR) department or a targeted recruiting of employees from SEE suggest a high appreciation of a diverse workforce. Based on the relational framework by Syed and Özbilgin (2009) we conduct an empirical case study and propose to apply the theoretical models of Thomas and Ely (1996) regarding diversity motives as well as Ortlieb and Sieben’s (2013) strategies for critical resources of ethnic minorities. We question, if first, DM approaches of the headquarters are transferable, or if second, headquarters and subsidiaries place a different focus due to diverging contexts, and third, to what extent the theoretical models chosen for our analysis are viable in practice. With both the theoretical framework and the empirical analysis we illustrate challenges for DM in different contexts, recognise the implementation of DM across borders, discuss implications for practice, and contribute to the field of diversity research in a little examined transition economy.

DM in different contexts: legal regulations and strategic choices

Syed and Özbilgin (2009) propose a multilevel relational framework for the international transfer of DM practices that distinguishes three different levels of analysis: macro-level factors such as laws, institutions and culture in national contexts; meso-level factors, such as organisational approaches to DM; and micro-level factors, such as identity linked to behaviour and relationships of individuals. At the macro-level we focus on the legislative framework for equal opportunity and diversity in a national context and show the influence on the transferability of DM practices. At the meso-level we incorporate Thomas and Ely’s (1996) three organisational approaches included in the relational framework. In order to identify strategies focused on ethnicity, we further include Ortlieb and Sieben’s (2013) model of strategic choices regarding a multi-ethnic workforce. With regard to micro-level factors we deliberately exclude identity from our analysis as our case study is based on the perceptions of management and therefore cannot depict a holistic picture of individual identities and interrelations in the organisation (see also Pringle and Ryan, 2015).

Literature shows that the macro- and meso-level are interwoven. Wright and McMahan (1992) distinguish between organisational approaches with a strong strategic focus as the major influence on HR practices (e.g. Barney, 1991) and a non-strategic focus, which examines effects of political and institutional factors (e.g. Pfeffer, 1981). In this context Taylor *et al*. (1996) hypothesise that the greater the legal distance between host and home country (macro-level) the lower the degree of

similarity between the headquarters' and the subsidiary's HR practices (meso-level). Regarding DM practices, legal regulations on discrimination and equal opportunity and perceptions of diversity in different contexts are important factors that either encourage or impede a transfer (Tempel and Walgenbach, 2012). In their study of five US multinationals and the transfer of DM practices to British subsidiaries Almond *et al.* (2005) show that American DM is not easily applicable in other contexts. Diversity managers resisted the implementation of targets for women in management positions, as they implied positive discrimination, which is outlawed in the British legislation.

In the next section we introduce macro- and meso-level factors relevant for our study, notably contextual information on Austria and Bosnia as well as diversity motives and strategies. A key element of the meso-level conceptualisations is the neglected consideration of different contexts for the implementation of DM practices as criticised by Özbilgin (2008) and as addressed on the macro-level.

Macro-level

Austria is situated in the centre of Europe, which historically made the country an important gateway to SEE countries. With a large percentage of ethnic minorities from SEE, Austria has a long tradition of immigration (Statistics Austria, 2010). Regarding the legal framework for diversity matters EU-wide and national legislation provide the basis on a macro-level. As an EU-member Austria transformed directives into national laws, e.g. the council directive on equal treatment between persons (European Parliament, 2000). Since 2006 the federal equal treatment act and the Austrian federal act on the equal treatment of disabled persons have been regulating antidiscrimination in employment (BGBl, 2004, 2005). Bosnia, as a non-EU member, has not directly implemented EU legislation (Kadribašić, 2013). Therefore, an explanation of the particularly complex national context influencing the laws and their implementation is deemed necessary.

Bosnia is a mosaic of different ethnic groups with three officially recognised "constituent peoples" – Bosniaks, Serbs, and Croats – and 17 national minorities, titled "others" (FZS, 2012). From 1992-1995 ethnic and national issues played a central role in the war among the constituent peoples. Until today these issues shape the co-existence in the country (Magill, 2010). Bosnia is divided into two separate entities, the Federation of Bosnia and Herzegovina (FBiH) with a Bosniak and in southern parts (Herzegovina) Croatian population, and the Republika Srpska (RS) with a mainly Serb population (OHR, 1995). Most laws differ between the entities and only a limited number are applicable in both (Kadribašić, 2013). The constitution states that the European convention for the protection of human rights and fundamental freedoms shall apply in Bosnia. It covers all persons without discrimination on any grounds. Thus, the law on the prohibition of discrimination was implemented on state level (Official Gazette of BiH, 2009). In 2003 the law on the protection of rights of members of national minorities was adopted on state level (Official Gazette of BiH, 2003a). Furthermore, institutional mechanisms for gender equality were established on the state level and the law on gender equality was adopted (Official Gazette of BiH, 2003b). The law on professional rehabilitation, training, and employment of persons with disabilities was implemented on entity level in 2005 in the RS and in 2011 in the FBiH (Official Gazette of FBiH, 2010; Official Gazette of RS, 2004). Interestingly the country introduces many legal provisions aiming at equality; however, without coordination and consistency. Although international human rights conventions were ratified implementation is limited and the enforcement of domestic rules is weak (European Commission, 2010).

Meso-level

Thomas and Ely (1996) focus on three different approaches for DM. Through the discrimination-and-fairness perspective, organisations aim at promoting fair treatment, mainly equal opportunity and compliance with legal decisions. In the access-and-legitimacy perspective organisations follow a market-based motivation and address the increasing consumer power of ethnic groups in a multicultural society. In order to respond to differentiated segments organisations need a diverse workforce with multilingual skills and abilities, allowing for a better understanding of customers and gaining legitimacy with them. Organisations following the integration-and-learning perspective encourage active participation and incorporate employees' perspectives into work processes. Hereby, a diverse workforce has the potential of finding more efficient ways of compliance beyond those legally mandated.

Ortlieb and Sieben (2013) further develop the approaches for DM and focus on ethnic minorities and the "critical resources" they provide for organisations and suggest a typology of five diversity strategies. Within the exclusion strategy an organisation does not employ ethnic minorities, because they are not considered as crucial. Adding value through mere labour refers to a strategy reckoning on the willingness of ethnic minorities to work for low wages or in undesired jobs. Organisations that pursue an antidiscrimination strategy aim at attracting and retaining the best qualified employees. Organisations that pursue the strategy adding value through ethnic background highly value competences of ethnic minorities. The final strategy learning refers to new perspectives and approaches to work and involves positive effects on process and product innovations through the employment of ethnic minorities.

Syed and Özbilgin (2009, p. 2436) emphasise a "relational interplay" of the different levels in a context-specific approach to DM. Thus the influence of the macro- and meso-level factors on DM is often interconnected as visible in the following description of the analysed countries. Despite Austria's long history of immigration, DM focusing on ethnic minorities is not adequately considered yet (Linehan and Hanappi-Egger, 2006). Austrian companies mainly concentrate on gender and age in compliance with legal regulations. Public administration offers financial incentives to encourage companies in the establishment of DM, however, an overall awareness of the importance of the topic as a company-wide concept is still lacking. Linehan and Hanappi-Egger (2006) attribute this to the fact that companies still focus on the cost of DM rather than seeing the benefits. In Bosnia discrimination and division by ethnicity are common in daily life. The most frequent types of discrimination are associated with ethnicity, gender, and age as a person has to state his/her ethnicity when applying for a job at the national employment agencies in the entities (Obradović *et al.*, 2010). Gender and age discrimination mainly concerns women as e.g. pregnant women are rarely hired or often fired during pregnancy, thus condemning existing antidiscrimination provisions untrustworthy. The lack of control and sanctions for employers leaves implementation of legal provisions "only to the employer's conscience" (Obradović *et al.*, 2010, p. 80). As a result DM in Bosnian companies is literally non-existent. Furthermore, we only identified one scientific study that theoretically examines the possibility of implementation of DM as a solution for workplace discrimination (Vinković and Bešlagić, 2011). In the following case study we examine the context specificity and challenges for the transferability of DM practices in an Austrian company operating in the Bosnian context.

Method

This research is part of a larger project that investigates contextual influences on the transfer of HR practices and employment strategies for ethnic minorities. Out of eight companies considered for the whole project, for this paper we chose a financial company as the most “critical” case (Yin, 2009). DM is particularly well-developed in the headquarters, especially in terms of ethnicity and respective issues are identified in the subsidiary. This promises insights into the relation between the headquarters and the subsidiary regarding DM.

Data were collected primarily through interviews in 2012 and follow-up interviews for clarification in 2013. Company data such as annual DM reports, available either on the company’s website or provided by the interview partners, were used in order to identify differences in approaches to DM. In total we conducted ten semi-structured interviews. In the headquarters we interviewed a member of the management board (man with a Bulgarian background), the group HR manager, twice the HR director of the headquarters (both Austrian men), a member of the HR department (woman with an US/Czech background) and a member of the international desk (man with a Croatian background). In the subsidiary we conducted an interview with the CEO and a member of the management board (both Bosnian men of Bosniak ethnicity) and two interviews with the HR director (Bosnian woman of Bosniak ethnicity). We asked participants about their function in the organisation, about the relations between the headquarters and the subsidiary, followed by questions on HR management in general. Finally, we addressed DM, collecting data on topics such as the diversity programmes, legal regulations, and specifications predetermined by the headquarters. The interviews lasted 90 minutes on average were conducted in German and Bosnian, audio-recorded, transcribed, and translated into English. Detailed field notes were made after each interview and a questionnaire was sent to the interviewees after the meetings for clarification and supplement purpose.

All steps were documented, data were analysed through content analysis (Miles and Huberman, 1994) and coded according to macro- and meso-level categories. We applied the given theoretical categories such as legal provisions, Thomas and Ely’s (1996) motives and Ortlieb and Sieben’s (2013) strategies to our empirical material and searched for recurring topics that were related to the DM practices implemented in the organisation. The process of gathering and analysing data was cross-checked by the authors in order to ensure qualitative reliability and validity. We structure our findings as follows: first we describe the company and second we focus on macro- and meso-level influence. Finally, we shortly summarise the findings. In our findings the macro- and meso-level influence is often interwoven, which is in accordance to Syed and Özbilgin’s (2009, p. 2436) “relational interplay” of the different levels, where a clear distinction between the influences is often not possible.

Empirical findings

The company

The financial company is headquartered in Austria with a subsidiary in Bosnia and several other SEE countries. Among the 50,000 employees around 45 per cent are women. The management board consists of one CEO and three executive directors, all Austrian men. The HR department consists of around 20 employees and the director is a man, but the heads of the divisions are all Austrian women. The HR strategy focuses on employee development. A special DM division within the department deals with diversity related issues.

The subsidiary was founded in 2006 with the head office in FBiH and over 450 employees in both entities. The management board consists of one male CEO and three executive directors, one of whom is a woman. All employees have the Bosnian nationality, but different affiliation to the three constituent ethnic backgrounds. No Austrians are employed. The HR department, including the director, consists of five Bosnian women. Besides the administrative-operational role the department focuses on HR development, without a special division for DM.

Macro-level influence

The headquarters fully meet the legal requirements concerning equality and go beyond these, which is evident in their diversity approach and the signing of the Austrian diversity charter:

We entered a co-operation, where EU funding was available. The result was that we already had a lot, but that this overall structure was missing. [...] Time was just right for it [diversity charter] and it sort of popped up (HR director, Austrian man).

Regarding the employment of disabled persons a special work environment for blind employees was established. The macro-level influence of a “culturally diverse society” (Syed and Özbilgin, 2009, p. 2440), e.g. an available pool of a multi-ethnic workforce, is reflected in the headquarters’ high priority for ethnic diversity, which can be seen in the employment of persons from SEE. The company implemented an internship programme with students from SEE:

In 2008 we started the programme in co-operation with the university. The reason was not necessarily business-focused. We have so many talents in SEE. As long as these countries are not part of the EU, students have no opportunity to get scholarships, and we thought it would be nice to give the best of the best a possibility to study in Austria for a while, but also to get to know Austrian [...] companies and the culture (HR director, Austrian man).

As a consequence the headquarters currently employ almost 30 employees from SEE. Reasons for such a strong focus were mentioned to be the employees’ language, the cultural knowledge of the region and familiarity with the people, which are expected to enlarge the customer base of the company:

We have strategically decided to have at least one person with an integration background in the retail segment or in the strategic and operative units of our company. We wanted people who through their culture and their understanding can capture topics that are important for us as a company active in SEE (Member of the management board, man with Bulgarian background).

Considering the subsidiary, the HR director was keen to emphasise that the subsidiary acts in compliance with the local law, strictly prohibits discrimination and fosters equality. All constituent peoples are represented in the branches and equality of their religious confessions was highlighted. They are entitled to paid leave of absence for the purpose of religious holidays notwithstanding of the official entity holidays. This is an important point as Bosnia has different public and religious holidays in the entities:

Our [company] policies strictly prohibit any discrimination with regard to age, gender, ethnicity, religion, disability [...] and all rights are equally respected, especially in the field of religious holidays regardless of official entity holidays [...] (HR director, Bosnian woman of Bosniak ethnicity).

Concerning the constituent groups, the HR director further emphasised how well differences are managed between the constituent peoples and that there are no problems associated through the entities:

The regulations are different in the FBiH and the RS. But we solve it somehow. Certain differences exist, but it does not really represent a problem for us (HR director, Bosnian woman of Bosniak ethnicity).

Still, the subsidiary deploys employees in the entities according to their ethnicity, which creates further ethnic division. All branch directors in the RS were of Serb ethnicity, whereas all directors in the branches of the FBiH were of Bosniak ethnicity. However, rudimentary diversity is visible in terms of religious concerns (for the constituent peoples) and people with disabilities where the subsidiary complies with the legal regulations.

Meso-level influence

We attribute DM in the headquarters to all three different perspectives of workforce diversity. Aside from compliance with the EU directives, the discrimination-and-fairness perspective is visible in the headquarters' establishment of a DM division and an employee charter to foster gender equality. The financial company has been awarded, for several years, the most women and family friendly business in Austria for the implementation of flexible working hours and paternal leave. We link the employment of SEE staff to the access-and-legitimacy perspective due to the need of attracting new customers from ethnic groups that represent a considerable proportion of Austria's population:

A couple of years ago we started in several branches with customer support on Serbo-Croatian and this way we got a lot of new customers. For me this is a great example how you can link diversity with business (Member of HR department, woman with US/Czech background).

We trace the integration-and-learning perspective in the special internship programme which does not only aim at the increase of SEE students' knowledge, but at the enhancement of the company's competence as a whole. In addition, the company pursues the antidiscrimination as well as the adding value through ethnic background strategy to gain access and legitimacy to different markets:

Here we have the migration topic. Therefore our target groups are also people with a migration background. When I have an employee [with migration background] in one of the largest branches it is natural that customers with migration background come. Also the extended family has an interest [to become a customer]. There are definitely subsequent benefits (HR director, Austrian man).

Thereby the antidiscrimination strategy is mainly driven by "business rationales associated with market access and legitimacy given by different actors" (Ortlieb and Sieben, 2013, p. 498). Within the adding value through ethnic background strategy the company regards competences related to an ethnic background as crucial. Concerning the strategy adding value through mere labour, we cannot identify that the company employs ethnic minorities due to their willingness to work for low wages. However, as our case study is based on interviews with the management, we cannot cross-check our findings with the perceptions of the ethnic minorities employed in the company. The company also follows the learning strategy as new ideas, perspectives, and approaches towards work from SEE employees are

considered of importance. However, the company does not primarily gear this strategy towards product innovations:

We profit from it, because we have these intelligent and active people here and we get more knowledge of the ways how to deal with this topic. [...] It is essential to get the experience-based knowledge not depicted anywhere, which is only shared face to face. For me this is a win-win situation (HR director, Austrian man).

In the subsidiary it is difficult to identify the motives and dimensions of Thomas and Ely (1996). We only see the discrimination-and-fairness perspective as a partial fit. Since the self-proclaimed goal of the headquarters is to promote diversity, compliance with the legal framework in Bosnia is predefined by the headquarters. Here we identify a minimum implicit influence by the headquarters:

Since our owner is [a] foreign [company], all employees, are in line with standards, treated equally and all rights are equally respected [...] (HR director, Bosnian woman of Bosniak ethnicity).

The access-and-legitimacy perspective is not pursued deliberately; in fact the socio-economic context determines that the constituent peoples are anyway addressed by the workforce from their own entities, which apparently facilitates legitimacy, but basically means that the subsidiary practices ethnic division in the country. The subsidiary does not employ any of Bosnia's minorities. Hereby we recognise the strategy of exclusion. It exerts discrimination of minorities by following the overall society's view that only the constituent groups have to be represented in companies, and not the "others" (Human Rights Watch, 2012). In line with Ortlieb and Sieben (2013, p. 496) the subsidiary's decision makers suppose "that internal or external stakeholders expect only ethnic majority individuals to be employed in the organisation". We cannot identify added value through ethnic background or through mere labour, but rather see a negative outcome due to existing stereotypes and open discrimination. Particularly the Roma population is viewed as being lazy and not being able to work in a service sector (Human Rights Watch, 2012).

Summary

Altogether, the empirical material paints the image of a company with well-developed diversity initiatives and a strong emphasis on equality and inclusion in the headquarters. However, when we take a closer look, we notice that practices demonstrated by the headquarters are not present in the subsidiary. The case study shows that the implementation of DM in the subsidiary is of low priority. Although we trace some compliance with the current legislation, ethnic minorities are not considered and proactive diversity initiatives are missing. We attribute this to institutional factors, the complex legal regulations and the overall structural circumstances in Bosnia. Similarly, Pringle and Ryan (2015) identify in their study on the Māori minority in the accounting profession in New Zealand, that tensions and inconsistencies at macro- and meso-levels result in contradictions within DM in organisations. In our case the subsidiary adapts to laws and to the ethnic division, but lacks initiative to implement a sophisticated DM. A generally negative view of ethnic minorities further impedes organisational learning through their employment. Therefore, we can neither identify motives of integration-and-learning nor a strategy of learning with regard to ethnic minorities as diversity in the subsidiary is not yet recognised as a benefit.

Regarding transferability, the headquarters intended to introduce a corporate group diversity programme in the SEE subsidiaries. However, attempts to implement the headquarters' DM were nipped in the bud as the following example illustrates:

I developed a questionnaire with simple questions such as "what does diversity mean for your company"? Interestingly I received the same answer for Serbia, Bosnia and Croatia: "No thanks, we don't need that" (Member of HR department, woman with US/Czech background).

According to the CEO in the Bosnian subsidiary no specific guidelines concerning DM exist:

We do not specifically promote DM, but as Bosnia is [a] country of equal rights for all our ethnic groups, we do not make any difference in our organisation [...] (CEO, Bosnian man).

Such little priority towards DM practices provides evidence for the challenges regarding transferability. We relate such a resistance to the different socio-economic and socio-cultural context in SEE, e.g. ideologies which influence the transferability of diversity practices. This was also emphasised by most interview partners in the subsidiary.

Discussion and conclusions

In this paper we contrast the headquarters of an Austrian financial company with its subsidiary and investigate DM practices regarding context specificity and transferability. Our findings do not indicate a transfer of DM practices, hence implying challenges to transferability due to the specific Bosnian context. In fact, the case study shows a rather high independence of the subsidiary with regard to DM which is reflected in both diverging diversity motives and strategies towards ethnicity applied in practice. We depict that DM practices are highly context specific, e.g. the marked-based driven intention to increase ethnic diversity in Austria vs coping with challenges of ethnicity in a multi-ethnic Bosnia, differences in the legal framework or the attitude towards DM in general. The approach to DM within the subsidiary reflects the national context. Thus, DM practices can vary in the same organisation due to diverging macro-level influences. Whereas DM practices receive little attention in the subsidiary, the headquarters emphasise a strong focus on diversity by abiding to the legal framework, attracting a diverse workforce from SEE and promoting learning and development. The suggested framework allows organisations to analyse their motives and strategies on a meso-level and thereby identify a possible gap in their overall diversity approach. The headquarters pursue all three, the discrimination-and-fairness, access-and-legitimacy, and integration-and-learning perspective, whereas the subsidiary rudimentarily follows the discrimination-and-fairness perspective. Concerning the employment of ethnic minorities the headquarters apply the antidiscrimination as well as adding value to ethnic background strategy; the subsidiary however, follows exclusion implying subtle discrimination.

In sum the emphasis of the headquarters is on DM practices concerning ethnic minorities, people with disabilities, and ensuring equality between male and female employees. The company promotes diversity by signing the Austrian diversity charter and the voluntary publication of annual diversity reports. Accordingly we could not identify exclusion or discrimination in the headquarters. In the Bosnian context, poor implementation of non-discrimination laws with regard to ethnicity and gender was identified by Bahtić-Kunrath (2012) highlighting the difficult situation of women in their career advancement, particularly after maternity leave. Our research underscores poor implementation of laws with regard to employees with different ethnicities. All branches

in the northern part of the country majorly employ Serbs (RS), in the area around Sarajevo Bosniaks (FBiH) and in the southern parts Croats (Herzegovina). Although trivialised in all interviews as non-existent: “[...] we do not make any difference in our organisation, and everybody has equal rights and opportunities [...]” (HR director, Bosnian woman of Bosniak ethnicity), this situation depicts a clear exclusion. As ethnically “clean” recruitment seems to be the rule, none of the branches displays a systematic approach towards an empowerment of minorities. This behaviour supports the scarcely developed attitude towards DM in the Bosnian subsidiary.

We show that a theoretical framework to identify macro- and meso-level factors can be a useful tool, but also point out that many dimensions remain unconsidered in organisational practice. Therefore we suggest that theoretical models on the meso-level need to focus more on the context specificity of DM, consider headquarters and foreign subsidiaries separately, and not only the organisation as a whole. Societal, legal, and political factors determine the general view of DM within its context and hence influence the transferability of DM practices. As organisational operations in different contexts create greater complexity in DM, and can result in “multiple DMs; specific to country, region and organisation” (Pringle and Ryan, 2015, p. 479) we emphasise the need for interconnectedness of the different levels, and the importance of a multilevel approach for the analysis of the international transfer of DM practices (Syed and Özbilgin, 2009).

Limitations and implications

Although we identify the need to consider the national context of DM, our research will have to overcome the following limitations: First, we use a single case study based on data from only one host country (Lauring, 2013). Although we show that the consideration of national context in DM is important to highlight the effects on other transition economies, further studies are deemed necessary (e.g. Daya, 2014). The strength of our case study lies in its special focus on ethnicity, which allows a deep exploration of how institutional contexts influence the way companies operate; thus giving insight into the practices of a company operating in a very specific context (e.g. Greeff, 2015). Second, we limit our discussion to the views of the corporate management, in particular the company directors’ and HR representatives’. However, our data possess strengths especially because it comes from respondents at both, the headquarters and the subsidiary, which allows the comparison of diverging perceptions. Still, we cannot ensure that we clearly picture the management’s pretensions or actual execution of a described action (Argyris and Schön, 1974). Our third limitation concerns the problem of researcher bias and an ethnocentric point of view. From a western perspective, our findings in Bosnia might have negative connotations, implying inferiority and inefficiency. However, by critically reflecting on the existing situation we do not intend to describe an example of the “good” approach in the west and the “bad” in the transition economy, implying a need for the transfer of diversity practices. In fact we minimise a possible researcher’s bias by addressing this topic in a bicultural research team.

DM in Bosnia with its special focus on ethnicity constitutes quite a unique situation. Although ethnicity is recognised in the discussion of diversity, the special composition of various ethnicities within one country along with its complex legal positioning remains under-researched. A focus on specific contexts in transition economies contributes to the discovery of hitherto barely considered research areas. We see the following practical implications: due to the complex legal framework in Bosnia and the confusing situation a coherent diversity policy is difficult to realise and therefore

our case highlights a clear public failure. In particular, non-compliance with legal requirements does not result in severe punishment and incentives to introduce diversity practices are non-existent. Measures to overcome such a failure could be the convergence towards more Western European legal systems, e.g. Bosnia's long-term target to join the EU. In addition, we also show an organisational failure. In our case the corporate understanding of the subsidiary trivialises all sorts of difficulties, in particular with ethnicity. Thus, we highlight both a clear failure of public policy due to the lack of sanctions, and an organisational failure in addressing issues regarding the different ethnicities in the country. As a first step towards inclusion of minorities we suggest an integrative employee charter which explicitly addresses this situation.

For further research we recommend looking into other countries with multiple ethnicities and analysing how they cope with such challenges in a business context. In order to assess the uniqueness of the findings and to better understand the management of diversity, the scope of the study could also be extended to further transition economies and different business fields. Finally, future studies could extend the focus from ethnicity to further diversity variables such as gender and age (e.g. Pringle and Ryan, 2015; Luring, 2013).

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