

The Theoretical Evolution and Practical Challenges of Diversified Management: A Systematic Literature Review

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Abstract. Diversity management, as a critical issue in contemporary organizational management, seeks to harness the potential value of increasing employee heterogeneity through systematic diversity strategies while mitigating the risks associated with intergroup differences. Although this approach is widely implemented globally today, both the conceptualization of diversity management and the evolution of its related research remain marked by significant differences and ongoing debates. This article provides a comprehensive review of existing literature and empirical studies on diversity management from multiple perspectives. It outlines the historical development and origins of diversity management, traces the shift in organizational perspectives—from initial moral and legal considerations to five more systematic frameworks—and examines the foundational theories and divergent viewpoints associated with the field. Finally, the article explores potential future directions and anticipated challenges for diversity management, aiming to provide insights that can support both researchers and practitioners in advancing effective management practices and scholarly inquiry.

Keywords: Diversity Management, Social Identity, Resources-Based View

1. Introduction

Over the past three decades, economic globalization and liberalization have significantly augmented the rate of sociocultural and economic transformation in various nations. In this context, contemporary enterprises are currently confronted with rapid alterations in customer preferences and the business environment, compelling organizations to confront novel challenges with a diversified workforce structure. The rapid advancement of information technology has effectively assisted organizations in breaking through spatial and temporal limitations, enabling employees from diverse ethnic and cultural backgrounds, genders, and age groups to collaborate, thereby bringing abundant intellectual collisions and sources of innovation for the development of the organization [1]. Nevertheless, a diverse workforce simultaneously implies diverse challenges. While coordinating the diversity differences within the employee team and ensuring the team's work efficiency and development, how to circumvent the risks of conflicts and divisions among different diversified groups is also a crucial topic that modern enterprises must address. For this reason, diversity management has emerged. Organizations are expected to fully leverage the diversity of employees through reasonable and systematic diversity management strategies to enhance organizational

performance and strengthen organizational competitiveness in order to cope with various challenges. This paper aims to review the relevant development process and discussions of diversity management through relevant literature over the past 30 years, from aspects such as the conceptual definition, historical development, and theoretical models, and to discuss its challenges and the future research directions. Meanwhile, this article aims to provide a comprehensive review of the historical evolution of concepts, theoretical models, and perspectives related to diversity management, with the expectation that it will assist future researchers in better understanding and anticipating potential developmental trajectories and research directions in the field.

2. The emergence and evolution of diversity management

2.1. Emergence of diversity management

Diversity management refers to an organizational strategy aimed at recruiting, retaining, and integrating employees from diverse cultural backgrounds. This concept has gained increasing prominence in recent years, driven by two forces: globalization and demographic mobility.

Historically, the foundation of diversity management can be traced back to the United States' legislative development in the 1960s. Title VII of the Civil Rights Act of 1964 introduced affirmative action plans and led to the establishment of the Equal Employment Opportunity Commission. Until the 1980s, research primarily focused on affirmative action and equal employment opportunities [2]. Subsequently, as affirmative action lost political momentum, the concept of diversity management emerged as a more strategic approach to workplace inclusion.

Early diversity management initiatives built upon the legacy of affirmative action, which primarily aimed to address workplace segregation—both horizontal and vertical—stemming from factors such as race, gender, and skin color. Researchers sought to combat discrimination by promoting equal treatment and opportunities within organizations. These efforts were widely regarded as morally commendable. However, contemporary diversity management has evolved beyond these moral foundations to also ensure that a diverse workforce achieves maximum economic benefits while maintaining an "unharmful" state. This "unharmful" state signifies that every employee within an organization is protected from all forms of discrimination and bias and has the opportunity to fully utilize their abilities, thereby generating maximum economic value for the organization. It relies on the rational categorization of employees based on diversity dimensions [3]. Moreover, although discussions about gender and race remain central to current diversity practices and research, the scope of diversity management has expanded beyond these categories. It now includes any shared characteristics or group identities that distinguish individuals from one another, such as age, disability status, and religious beliefs. Especially in the American context, those topics have garnered significant attention over the past decade.

Meanwhile, as research on diversity management has evolved, perspectives on key issues such as the rationale for implementing diversity initiatives and how enterprises should approach diversity management have become increasingly nuanced. The focus has gradually shifted from a sole emphasis on legal and moral considerations to a more rigorous evaluation of its benefits in terms of corporate profitability, financial performance, and the outcomes of diversity management practices.

2.2. The evolution of diversity management

Since the emergence of the concept of diversity management, the perspective on how to view organizational diversity has undergone a significant and long-term transformation. Thomas and Ely

identified three landmark diversity paradigms that encapsulate organizations' assumptions about the causes, value, and work-related implications of diversity [4]:

(1) **Discrimination-and-Fairness Paradigm:** This paradigm emphasizes that prejudice often prevents certain groups from accessing specific organizations. By striving to adjust organizational structures and establish appropriate management processes, all employees can receive fairness and respect while avoiding undue advantages for others. This paradigm carries moral advantages, leading relevant organizations or managers to provide targeted guidance and opportunities for underrepresented groups, such as women and employees of color. Meanwhile, managers typically emphasize values like fairness and strive to instill them deeply within the organizational culture in the workplace. Undoubtedly, this approach increases demographic diversity among employees and promotes equitable treatment. However, measuring diversity solely by the number of employees from different genders and races recruited is insufficient. This paradigm places undue pressure on employees and overlooks individual differences, making it challenging for employees to fully leverage their unique and diverse strengths to enhance work effectiveness. In conclusion, while employee demographics in such organizations may have diversified, the fundamental nature of work and organizational culture remains largely unchanged.

(2) **Access-and-Legitimacy Paradigm:** Emerging in the 1980s and 1990s, this paradigm recognizes diversity as a business asset, especially in multicultural markets. The concept of diversified management shifted from a singular focus on equal treatment based on race and gender to a more comprehensive consideration of business interests. In an increasingly diverse cultural landscape, the consumption potential of new ethnic groups and special populations warrants greater attention. For instance, when multinational companies seek to expand into international markets, what is required for success in a new regional market is employees who possess knowledge of both the local culture and legal regulations. Consequently, enterprises and organizations should cultivate a more diverse workforce to address varying market segments. This involves aligning specific demographic characteristics of the workforce with key stakeholders and consumer groups, thereby enabling enterprises to attract a broader range of customer bases. The pursuit of niche markets has generated additional employment opportunities for specific populations, particularly benefiting companies traditionally operating in specialized business environments. A diverse customer base and labor force offer significant advantages and opportunities. However, overemphasizing cultural differences may lead enterprises to neglect how diversity impacts actual work processes. If an organization solely focuses on entering niche markets without considering long-term strategies to leverage diversity, it will likely achieve only limited benefits.

(3) **Learning-and-Effectiveness Paradigm:** The third paradigm views diversity as a source of organizational learning and innovation. This framework posits that employees frequently make decisions and choices in the workplace based on their cultural backgrounds and the identity groups to which they belong. Consequently, it is imperative to integrate employees' perspectives into the core operations of the organization as much as possible. The aim is to promote equality among individuals, acknowledge cultural differences across groups, and emphasize the causes and operational mechanisms of such differences to enhance understanding of the value of diversity.

In addition to these paradigms, Dass and Parker introduced the Resistance perspective, which frames diversity as a threat to the existing order and resist its integration [5]. In this context, increased diversity within an enterprise or organization is perceived as a threat and should not be embraced.

Building on these foundational theories, Podsiadlowski, Otten, and van der Zee synthesized a conceptual framework for diversity management [6]. This framework includes five perspectives:

Reinforcing Homogeneity, Color-Blind, Fairness, Access and Integration, and Learning. The Reinforcing Homogeneity perspective suggests that organizations often resist or actively avoid workforce diversity. Schneider introduced the "Attraction-Selection-Attrition" model, positing that organizations are inclined to attract, select, and retain individuals with similar characteristics, as such homogeneity fosters stable interpersonal relationships [7]. The Color-Blind and Fairness perspective, as proposed by Ely and Thomas, emphasizes that individuals within organizations should be treated equally regardless of race or cultural background, thereby ensuring fairness and non-discrimination in all organizational practices [8]. From a business-oriented standpoint, the Access perspective views diversity management primarily as a strategic tool to align internal structures with external market dynamics, enabling organizations to better serve diverse customer bases and penetrate international markets. Finally, the Integration and Learning perspective goes beyond mere acceptance of diversity, advocating for an inclusive organizational culture that leverages individual differences to enhance workplace productivity and mutual benefit through shared knowledge and contributions. These perspectives encompass a spectrum ranging from resistance to diversity to positive engagement, providing a systematic explanation of the evolution and transformation of diversity management.

3. Basic theories of diversity management

With the evolving understanding of diversity management and the growing influence of workforce diversity within enterprise organizations, there is an increasing need for theoretical frameworks to guide research in this area. However, scholarly opinions remain divided regarding both the mechanisms and outcomes of diversity management practices in organizational contexts. For instance, studies grounded in social identity theory suggest that diversity management may generate negative organizational consequences due to in-group favoritism and out-group bias. In contrast, research informed by the resource-based view generally posits that diversity management can yield positive impacts by enhancing organizational capabilities through access to unique knowledge and perspectives. This divergence in perspectives continues to persist in contemporary discussions and empirical investigations of diversity management.

3.1. Social identity theory

Diversity management primarily focuses on how to perceive and effectively manage differences among individuals. These differences extend beyond demographic characteristics in statistical terms and encompass behavioral disparities across diverse cultural groups and the intersections of these differences. Such distinctions are typically ascribed to individuals or social groups who share common differentiating factors, thereby shaping the perception of self-identity. The recognition of self-identity lies at the heart of comprehending the concept of diversity management.

Social Identity Theory, proposed by Tajfel and Turner, posits that individuals are capable of cultivating a relatively stable core identity within the context of their personal ideal self-awareness [9]. This psychological mechanism enables individuals to discern how they engage with others and extends their self-awareness from the individual level to the group level. Consequently, this process of social identity facilitates the self-definition of diverse individuals through characteristic categories shared with others.

In organizational contexts, this social identity process helps elucidate several organizational phenomena. For instance, it can explain the dynamics of inclusion and exclusion between groups, as well as how individuals attain self-identity through in-group preferences and exhibit exclusionary

behavior towards out-groups. The formation of such groups and the corresponding categorizations based on group classification provide organizational members with a systematic approach to defining others and situating themselves. Within the current framework of diversity management, the focus of social identity predominantly converges on certain prevalent demographic characteristics, which also serve as the most prominent predictors of the formation of distinct groups within an organization, specifically race and gender. Topics related to racial and gender diversity frequently assume a dominant position in the domains of organizational diversity management and social psychology [10].

However, it is important to note that the inspiration drawn from the Social Identity Theory for diversity management is fundamentally grounded in a central assumption: managers tend to regard certain prominent diversity categories as stable and nearly immutable traits. This circumscribed perspective inadvertently overlooks the intricate nature of the identities of those being managed in dynamic scenarios and gives rise to a rigid perception of identity as possessing an unchanging core. Simplistic and imprecise categorization and positioning of groups do not necessarily translate into more effective organizational management. Furthermore, the latent "depersonalization" characteristic of this theory may result in an over-reliance on groups or the organization itself as the source of identity during internal organizational management. This, in turn, disregards the diversity engendered by the unique personality differences among individuals.

3.2. Resources-based view

While Social Identity Theory offers psychological insight into diversity, the Resource-Based View provides a strategic framework for understanding how diversity contributes to organizational competitiveness. Wernerfelt introduced the resource-based view, posits that firms possess a bundle of tangible and intangible resources [11]. These resources—if valuable, rare, imperfectly imitable, and non-substitutable—can be leveraged to achieve competitive advantage.

Barney and Clark further categorized these resources into four types: physical capital, financial capital, human capital, and organizational capital [12]. Valuable and rare resources serve as the foundation of competitive advantage, and fully exploiting their potential often requires firms to adopt unique structures, processes, and practices. For instance, rich and diverse human capital—encompassing a heterogeneous workforce along with abundant, non-replicable information, knowledge, perspectives, and skills—constitutes a scarce and difficult-to-imitate organizational resource. Such distinctive human capital facilitates the development of unique enterprise structures and operational processes while also enhancing the recognition of the value of diverse business strategies and enabling their effective implementation. Consequently, it can generate a sustained competitive advantage and ensure the differentiation of an enterprise's products and services.

Moreover, diversity management and innovation strategies can mutually reinforce each other, thereby enabling enterprises to achieve superior market performance and productivity. According to Richard et al., diversity is considered a valuable and scarce resource that can enhance the competitiveness of an organization [13]. When enterprises adopt growth or innovation strategies, the diverse staff team within the company contributes to improving their financial performance. Their empirical research, based on a national sample of 177 banks, revealed that in banks exhibiting strong innovation capabilities, performance tended to improve gradually as employee diversity increased. In contrast, banks with weaker innovation capabilities experienced a decline in performance under similar conditions.

Furthermore, when an enterprise integrates multiple diverse management practices, such complex and difficult-to-imitate practices generate greater synergistic effects. Given the complexity of these

advantages, competitors face significant costs in attempting to replicate them [14].

However, some critical perspectives on the resource-based theory argue that viewing resource characteristics as fixed is overly simplistic. Research into diversity management and its related outcomes within organizations may provide insights into how resources evolve over time. As new diversity management practices continuously emerge, enterprises adapt the nature and characteristics of their foundational resources to address these changes, contributing to the development of a dynamic resource-based theory.

4. Future developments and challenges

With the increasing complexity of the current business and political landscape, the future development of diversified management faces numerous challenges. In recent years, the global political climate has shifted towards a more intricate and extreme direction. This trend raises concerns regarding the advancement of diversity management. The previously moderate and enlightened cultural and political atmosphere is being supplanted by heightened confrontation. Regrettably, such confrontations often manifest in dimensions related to diversity, including gender, race, religion, sexual orientation, and more. Clearly, as this extreme environment begins to permeate and influence workplaces from top to bottom, organizations engaged in diversified management will encounter significant challenges in navigating rapid changes within both their working environments and political policies. In light of these developments, Kollen concluded that addressing how to effectively coordinate employees with diverse nationalities and racial backgrounds may become crucial for future research on diversity [15]. Additionally, managing stereotypes and cultural conflicts arising from differing national identities will likely emerge as vital areas for exploration in forthcoming workplace dynamics.

Secondly, the declining birth rate and the trend of an aging population in many industrialized countries present increasing challenges for future diversity management. As the working-age population gradually decreases, organizations are likely to view diversity management as a strategic approach to address this demographic shift [16]. Enterprises must urgently adopt more efficient methods to optimize existing labor resources in order to sustain economic benefits. Consequently, a broader range of diversity dimensions will need to be considered in future labor demand assessments. For instance, in light of the growing significance of aging demographics, it is evident that an increasing number of enterprises and organizations will incorporate age-related diversity dimensions into their considerations moving forward. Furthermore, organizations should expand their understanding of diversity by acknowledging multiple dimensions rather than focusing solely on a single specific aspect as the core element of organizational management structures. This approach entails fostering a more inclusive work environment through an intersectional perspective.

In addition, future diversity management should place greater emphasis on conducting research from non-U.S. perspectives. Given that the foundational research on diversity originated in the United States and was profoundly shaped by its unique cultural characteristics and historical context, the application and implementation of diversity management in different cultural and business environments inevitably encounter influences from these original models. This is particularly significant considering the substantial differences in histories, legal frameworks, and social environments between the United States and other countries. These contextual differences, encompassing the specific conditions and backgrounds of individual nations, can enhance enterprises' and managers' comprehension of diverse management practices. By providing more localized or national insights, organizations can develop more precise and nuanced management

strategies to address the complexities of today's business environment and mitigate workplace conflicts and tensions.

5. Conclusion

Overall, diversified management has undergone a long-term evolutionary process—from initially being perceived merely as a moral and legal imperative to increasingly incorporating economic considerations. With ongoing shifts in the contemporary business and political landscape, diversity management continues to generate new debates and divergent perspectives. As a critical strategy in modern organizational management, diversity management offers notable benefits, including fostering organizational innovation, enhancing adaptability, expanding market reach, and improving employee satisfaction. However, its implementation can also present challenges such as cultural conflicts, communication barriers, and weakened team cohesion. In both research and practice, it is essential to avoid the so-called "diversity trap"—that is, overemphasizing symbolic representation while neglecting the strategic and operational logic underlying diversity initiatives. Looking ahead, organizations must continuously explore and innovate their approaches to diversity management in order to remain responsive to evolving market dynamics.

This article provides a systematic review of existing literature, tracing the origins of diversity management, examining the evolution of related perspectives, analyzing how foundational theories inform practical applications, and identifying potential future challenges and developmental trajectories. While the theoretical summary and analysis are relatively comprehensive, the article lacks concrete case studies and empirical data, which should be addressed in future research. Additionally, it does not sufficiently engage with contentious issues surrounding diversity management—such as the emerging topic of "reverse discrimination" in the workplace, which has gained increasing attention due to recent socio-political changes. Given its growing relevance, the phenomenon of "reverse discrimination" and its implications warrant deeper scholarly investigation and should constitute a key focus in future studies on diversity management.

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