**The Global Integration of Diversity Management: Cultural Diversity within Western Multinational Companies in China**

**Abstract**

There is increased awareness that well-developed global diversity programmes and policies can provide many benefits in terms of equality management and cross-cultural management. To succeed in the international business environment, MNCs need to manage cultural diversity effectively in order to expand and grow their operations and knowledge bases (Egan and Bendick 2003). The challenge of managing cultural diversity is assessing the degree of cultural fit between parent companies and their subsidiaries in order to minimise the 'cultural gap' (Jackson and Schuler 2003). However, research on global diversity management mainly focuses on organisations in the developed world, and different countries have different diversity issues and an ethnocentric diversity approach may be inappropriate in other cultural contexts. As Nishii and Ozbilgin (2007) argue, the more context related diversity management approaches are, the more likely they are to be accepted by a diverse workforce, and there is also a higher probability of organisational commitment which can lead to better organisational performance.

The study seeks to expand the global diversity research field into a non-Western context, China. Western Multinational Companies (MNCs) are expanding their operations worldwide and China is one of the countries which host a large number of foreign subsidiaries in the world. In addition to economic forces and advanced production technologies, China is also exposed to, and can gain experience from, the diversity of cultures, customs, management practices and equality awareness which Western MNCs bring into the country. The aim of this study is to investigate cultural diversity within two Western MNCs in China from their Chinese employees’ perspectives, and to propose suggestions on how Western MNCs can improve their operational effectiveness through diversity management, focusing mainly on cultural diversity issues. This aim is addressed through an exploratory research design using in-depth qualitative interviews with thirty-nine participants from two Western MNCs’ subsidiaries in China. The headquarters of these two MNCs are in the US and Europe and they have been attempting to promote equality and diversity globally throughout their worldwide operations.

This study is analysed and discussed on a basis of Jackson and Schuler’s (2003) cultural diversity framework; *cultural diversity, mediating states and processes, short-term behavioural manifestations and longer-term consequences*. The findings of this study suggest that some managers and employees within MNCs appear to be ethnocentric and acknowledge differences between national cultures focusing predominantly on communication styles. However, the authors argue that the content and context of national cultures need to be also observed and examined. Moreover, the findings also reveal that cross-cultural training should not be conducted as a one-time activity, and that simply presenting cultural differences in customs, religions and demographic information would not diminish people’s stereotypes and inaccurate perceptions. Therefore, the authors contend that consistent and systematic cross-cultural training programmes need to be developed and delivered to all subsidiaries of MNCs. More importantly, the authors argue that employees can only manage cross-cultural differences at work when they clearly understand and genuinely accept the importance of these differences. In this manner, the business case for diversity is central as diversity can be viewed as beneficial to performance and profitability. The authors argue that the business case approach for cultural diversity should be seen as part of a model which also acknowledges the moral case and the legal case for diversity and equality.