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HR practices on diversity: Evidence from the US pharmaceutical companies' subsidiaries in CEE region

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Abstract

This paper investigates the diversity management in pharmaceutical multinational companies and specifically of their official entities in Central and Eastern Europe. It argues that diversity management measures vary between headquarters and subsidiaries as the country regulations on diversity are different across Europe. Data was gathered on diversity management through secondary information of top ten US-based pharmaceutical companies' corporate websites (listed in Fortune 2000) and their code of conducts. The covered US pharmaceutical companies possess operations in the CEE region. It is employed descriptive statistics showing that the local subsidiaries in Central and Eastern Europe refer mainly to the HR practices and code of conduct of the parent company without having their own code of conduct. The results of the paper demonstrate that diversity management measures differ widely between headquarters and subsidiaries and that many of the diversity dimensions (e.g. visible and non-visible dimensions e.g. gender, age, sex, sexual orientation, disability, nationality, ethnicity, minorities, religion and education background) are not covered at all in the subsidiaries in the CEE region.

Keywords: diversity; dimensions; US pharmaceutical companies; HR practices

JEL codes: F23

INTRODUCTION

Today organizations are facing many endeavours in regards to diversity management. There are quite many major changes in workforce structure along with globalized markets and international competition. Thus the increasing amount of diversity organizations must manage, both internally and externally. Many diversity specialists, scholars and business leaders argue that industries and organizations interested in being competitive and sustainable in the twenty-first century need to take competitive advantage of a diverse workplace (Soutar, 2004; Yang, 2005). But to do so successfully, leaders and human resources managers have to reshape their approaches in regards to management and leadership (Jones, 1989).

This new way of thinking about diversity focuses on meeting the needs of the individual and not so much on an HR-centered initiative. Today, it is not only about having diversity within a company but leveraging that diversity to produce better products and services.

It is crucial to hire and maintain a diverse workforce, so gender and racial/ethnic initiatives will be launched and maintained into the foreseeable future. There is much to learn from leaders in diversity and inclusion, but it is important to remember that every company's Diversity & Inclusion initiatives will look different. Therefore, strategic diversity management initiatives have to address the specific industry and the companies' needs in terms of diversity. This however, also means that global strategies have to be adopted locally.

The paper aim is to investigate what dimensions of diversity management are reflected in the US-based pharmaceutical companies in their US headquarters and CEE respective subsidiaries. Further, the study raises the question if US pharma companies are managing diversity locally or globally in terms of practices, approaches and techniques.

Table 1. List of US-based Pharmaceutical companies having subsidiaries in CEE region

Company Name	Subsidiaries' Locations	HQ's Location
Pfizer	Austria, Bulgaria, Romania	US
Johnson&Johnson	Austria,Czech Republic, Slovakia, Poland	US
Baxter	Austria, Bulgaria, Czech Republic, Poland	US
Bristol-Myers Squibb	Czech Republic, Slovakia	US
Lilly	Czech Republic, Romania	US
Amgen	Hungary, Austria, Bulgaria	US
AbbVie	Czech Republic,Hungary	US
Merck & Co.	Austria, Bulgaria, Czech Republic	US
Biogen Idec	Austria, Croatia, Bosna & Herzegovina	US
Actavis	Austria, Bulgaria, Hungary.	US

N=10

Source: own study.

A diversity management strategy is of paramount importance for an organization to effectively manage a diverse workforce by promoting personal and professional development and create a positive work environment. Organizations need to be mindful of removing any barriers that may hinder progress such as categorizing people into certain positions, always recruiting from the same source, and grooming and developing certain people 'liked' by senior management.

It needs to be remembered that diversity is not an 'initiative' or a 'project,' it needs to be an ongoing core aim and core process. An effective diversity management strategy has a positive effect on cost reduction, creativity, problem solving and organizational flexibility (Mannix & Neale, 2005).

Diversity in pharma business

As all industries, the pharmaceutical industry is faced with the challenges presented by today's economic climate. This, in conjunction with workforces from different ethnic groups, backgrounds, religions and others catering for a diverse customer base, calls for strategic diversity management at all levels of the company and in all subsidiaries.

Why should pharma business be concerned with diversity? The pharmaceutical industry needs all employees to perform well to sustain success, and for them to perform well they need to feel valued. All employees need to be treated differently in ways that are fair and bring out the best in them, but at the same time meet the business needs and objectives. The mindset here has to be one of thinking of differences and communalities as assets and maintaining a balance with personal and business responsibilities creating win win solutions.

To date many pharmaceutical companies have used diversity management as a key to improving the health and well-being of the world through the passion of its employees. For example, diversity is a central theme of the culture across the Johnson & Johnson family of companies, as well as Pfizer.

Thinking globally, acting locally

Many global corporations have realized that in order to manage diversity in the headquarters and in their subsidiaries, they have always to adapt to the local conditions and norms. Hence, it requires extremely individual approach as many CEE countries still do not possess legal acts and policies on many diversity dimensions as LGBT, minorities and others, which pinpoint the rule that 'One size does not fit all' in terms of diversity management approach. To act locally means conforming of national strategies and policies that take into account the particular location's core diversity measures e.g. gender quotas, work opportunities during maternity, women leadership initiatives and others. This means that all diversity measures will comply and intertwine with the legal and cultural policies and norms (Mortimore, 2014).

Diversity management dynamics vary considerably worldwide in terms of prerequisites for diversity management policies and initiatives implementation. The main idea around diversity and inclusion programs is to maximize the productivity and performance of all employees to fulfill the company assignments and enhance business results. The organizations cannot expect any major success without recognizing, tolerating and balancing diversity management practices (Kirton & Greene, 2015).

Around the world the issues of gender and, increasingly, age and disability are the strongest elements of diversity. The issue of the ageing workforce is also one for nearly every industrialized country. Maintaining an adequate labour force will increase competition for talent, and require organizations to retain older workers and tap into underutilized sources of talent – namely women, ethnic minorities, immigrants and people with disabilities. So the workplace will become increasingly diverse. If not managed well, this diversity will detract rather than enhance business results.

US pharma provider Johnson & Johnson with many subsidiaries in the CEE region, for example, realized that to be successful in global diversity, it needed culturally appropriate efforts launched for every region. The company was struggling to combine its diversity efforts in the United States and Europe, so it conducted its first-ever live video conference on mutual perceptions, diversity and respect. Clients and employees reported increased productivity, and over 100 survey participants reported the conference was the most valuable training they had ever experienced.

METHODOLOGY

Dataset

For the purpose of the paper, is collected secondary data from the top ten pharmaceutical US companies with operations in Central and Eastern Europe. The US pharma companies are among the top in the CEE region in terms of number of employees, number of subsidiaries, turnover and volume of sales. The data has been gathered from the companies' websites, their code of conducts and from other secondary based sources as Bloomberg, Fortune 2000 and Thomson Reuters One. In the paper we collected the following information: existence of local and global diversity management strategy and corresponding measures with regard to gender, age, sexual orientation, (dis)ability, religion and ethnicity. We have limited the exploration to those diversity dimensions which are covered by the EU diversity legislation. In the paper the companies' websites, code of conducts and other secondary based sources have been analyzed in terms of diversity management measures.

Table 2. List of US pharmaceutical companies and their code of conducts in the US & CEE

Company Name	Code of Conduct in the US	Code of Conduct in the CEE region
Pfizer	X	-
Johnson&Johnson	X	-
Baxter	X	-
Bristol-Myers Squibb	X	-
Lilly	X	-
Amgen	X	-
AbbVie	X	-
Merck & Co.	X	-
Biogen Idec	X	-
Actavis	X	-

N=10

Source: own study.

DISCUSSIONS AND EXPECTED RESULTS

'Glocal' as a term is explained as a connection between global and local practices (Swyngedouw, 1997b). Historically US multinational corporations have introduced diversity management measures and in many regions of the World, it is very difficult to state that respective countries possess specific diversity management measures. It raises the question if we can speak about local diversity management. Many countries as China, India, Russia and others do not have local diversity management tools, which makes

clear why we cannot talk about local diversity management. Moreover, CEE region has its own specifics on Diversity management, which makes the region unique in terms of existence and possible implementation of diversity measures and practices. Having analyzed the code of conducts of the selected US pharmaceutical companies, it is obvious that the companies possess code of conducts on their domicile website.

Also, on the selected companies' websites we can find significant amount of information on diversity and specifically how the companies are managing diversity globally. At the same time, in majority of the companies' website there are information on specific diversity management measures as trainings, awards, programs and other initiatives referring to many of the diversity dimension. Thus, on a global level the US pharma companies are putting significant efforts into promoting diversity and applying respective measures towards increasing integrity, transparency and staying compliant with their strategies and code of conducts. In the US-based pharma companies more dimensions of diversity are reflected and included in the code of conducts in compare to their branches across the CEE region.

Table 3. Sex, gender, sexual orientation in the selected Code of Conducts

Company Name	Sex	Gender	Age	Minorities	Religion	Sexual orientation
US Headquarters	10	10	9	9	6	6
CEE subsidiaries	2	6	1	1	0	1

N=10

Source: own study.

Moreover, the selected companies demonstrate that for them is very important to manage diversity globally in the context of human resource management and specifically to equal employment opportunities, inclusion and minorities, etc.

Based on the same companies' analysis in terms of code of conducts, local websites of their subsidiaries in the CEE, we can state different approach on managing diversity within the region. Any of the selected US pharma companies does not have fully translated code of conducts into any of the CEE languages, whereas the CEE subsidiaries refer to their US parent code of conduct. In majority of the CEE countries Diversity management is still under searched and there is no information on how companies should refer to diversity dimension as sexual orientation, transgender rights, etc. It stems from the fact that in the CEE region in many of the countries there are no official regulations, directives or normative documents, which are dealing with diversity dimensions such as sexual orientation, minorities rights, disability and others due to the fact that either the countries have been post-Soviet and all this has prohibited or due to the fact that the countries are relatively homogeneous in terms of religion, ethnicity, culture and life style.

Almost all studies on diversity management have been done in Western Context and only a few exist for other cultures. As most Western countries have multiculturalism, we cannot state the same for CEE region, where the population are much more homogeneous and level of diversity is much lower in terms of nationalities, religion, ethnicity and other diversity dimensions representations. It is not new to the practitioners and academicians that diversity management is a Western Concept but based on the literature review combined with postcolonial perspectives this thought emerges.

Referring to the US Pharma subsidiaries in the CEE, it is evident that there is lack of information on diversity on their websites and just few of them publish information what initiatives and programs have been devoted to managing diversity within the headquarter.

Interestingly, most of the Code of Conducts in the US pharma subsidiaries across the CEE region do not contain any information in several diversity dimensions as shown in Table 4 but at the same time there is approved official EU Antidiscrimination Directive (RL 2000/78/EG). This contradiction sheds a light on disparities in the diversity management practices between the Headquarters of the US pharma companies and their subsidiaries in the CEE region. Therefore, our study argues that the US Pharmaceutical companies in the CEE manage differently diversity on a global and local level but at the same time many of the diversity dimensions have been translated into the local conditions of the region and there are trends nowadays that these companies will be referring more and more to wider range of diversity dimensions because they know that if they would like to be competitive and successful in the region they have to fuse the local with the global techniques and measures on managing diversity. All in all, this increase of diversity measures with regard to those dimensions, which got less attention in the subsidiaries so far, may be argued with increasing societal and political pressure. From a neo-institutional perspective (Walgenbach & Meyer, 2008), such expectations for organizations work as driver in order to set up or sustain societal legitimacy of diversity.

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