

## From Managing Diversity to Managing Opportunity

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**Abstract.** Companies with path-dependencies on trivial assumptions reach their limits in Society 5.0. Resilient and vital organizations need multiple reservoirs of competencies, i.e. their people's capabilities. Furthermore, resilient organizations in hypermodernity depend on an ability to respond to rising complexity by enhancing their own inner variety and competencies. Society 5.0 is characterized by a huge amount of diversity, and is human-focused. This paper presents a human-centered approach, the Capability Approach, which is conceptualized as a developed approach to Diversity Management. This paper goes beyond the classical diversity discourse, outlining an approach to Managing Opportunities in Society 5.0 that contributes toward the SDGs and Capability Management, introducing the Capability Cycle as a process for managing opportunities for dialogue-orientated communication. An economy designed for people requires a new diversity discourse – because the right to development is an inalienable human right.

**Keywords:** Diversity, Economy for People, Capabilities, Opportunities.

### 1 Human Diversity in a complex world

Considering the actual social, political, institutional and technical changes as well as tensions affecting Western economies, the salient issues facing Germany include a shortage of skilled workers, migration and demographic change. The digital transformation is affecting the labour market, entailing further issues around the future-focused reimagining and re-designing of work. Technological advancement and the New Economy shift have impacted social values, thus workplaces, preferences and roles are changing. The German Federal Ministry of Labour and Social Affairs [6] utilises the term „work 4.0“ to designate these developments.

The German economy is a special case in that its driving force is its powerful segment of small and medium-sized enterprises (SMEs) which represents the engine of the German economy. The resilience of the economy and its management in the interest optimal prospects depend on innovative development work by key actors and creative employees. Around 99 per cent of companies in Germany are SMEs [13], thus their great significance and powerful role in the economy is evident. A study conducted in [18] drew major attention to regional development by innovative promoters with regard to technology, tolerance and talent.

DOI: 10.5281/zenodo.5203083

According to Jacobs [21] and Glaeser [17], talent is what stimulates economic development and innovation. Vibrant human creativity and diversity can become a driving force for the economy and society. In practice however, rural and regiopolitan areas are suffering from brain drain. Demographic changes are revealing future challenges including labour shortages. According to an OECD [27] survey, nearly 90 percent of SMEs report shortages in the mid-level skilled labour while 65 percent are lacking highly skilled personnel. Both these figures are set to increase, exacerbating the challenges of retaining highly skilled staff and recruiting qualified individuals.

Generally, Western economies are experiencing rising contingency are subject to substantial uncertainty and are characterised by a dynamic complexity. A transformation amounting to the next industrial revolution is affecting companies, society and individuals as digitalisation inaugurates a new era of work in which much human labour will be replaced by algorithms. The aim behind efforts to develop resilient systems is to enhance choice and skills among the population [32]. Several studies have investigated inequalities in the labour market which accelerate brain drain in rural areas. Inequalities result from lacking economic, social and cultural participation by swathes of the population. Social discrimination plays a large role in relation to available skill levels in labour markets. Unequal employment opportunity and other labour market disadvantages translate into a capability gap for businesses.

The further chapters of the paper are: The Path of Diversity Management, that is followed by the chapter Managing Opportunity and finally ends with the conclusion.

## 2 The Path of Diversity Management

Discrimination is more than making distinction, representing a complex process of exclusion. The term is generally associated with unequal treatment or disadvantage. Understood as an influencing on how social norms and codes are defined, discrimination can be seen as a definitory power within a social system. Discrimination has tremendous negative impact on skill acquisition within society, reducing opportunity and participation in social and business life. Germany's political response around protecting employees against discrimination has included the General Equal Treatment Act (AGG), introduced in 2006. The ultimate cost of discrimination for society remains unmeasured. Public and private-sector organisations are responding to the problem of discrimination via Diversity Management as part of their CSR strategy, which is now a widely popular practice aimed at exposing and reducing disadvantage within organizations [28]. Diversity is defined by a set of six core characteristics addressed under §1 of the German Equal Treatment Act: ethnicity, gender, religion, physical disability, age and sexual orientation. Conventional diversity approaches are sharply focused on highlighting differences of human diversity so as to move away from one-dimensional attribution of identity and stereotyping in discourse in favour of a more nuanced, multidimensional view. Diversity is viewed as consisting conceptually of four areas [19]: personality (e.g. traits, skills), internal factors (e.g. gender, race, ethnicity), external factors (e.g. nationality) and organisational factors (e.g. position). Diversity awareness

is historically rooted in the social unrest of the 1950s in the United States [9]. As US corporations increasingly expanded overseas, the notion was imported into Germany via subsidiaries starting in the mid- 1990s. Over the years, three approaches have emerged as central concepts for diversity management [34]: fairness, access and legitimacy, learning and effectiveness.

The first and second of these approaches concern adapting organizations to changing environments while disregarding the management view and internal integration. The third approach concerns the internal management of diversity

Regarding the positioning of Diversity Management (DM) as an element of change processes within organizations, various approaches have been discussed in management and organizational theory literature, including Morgan [25]. Bolmann and Deal [8] reframe the organization with a focus on four distinctive frames: structural (focusing on goals, effectiveness and task), human resources (behavior and action), political (power, conflicts, influence) and symbolic or cultural (social interactions and symbols). In the political frame, the question of power and its distribution within organizations is of interest here, which is neglected in most DM literature. Purtschert [29], in another critical perspective on Diversity Management, states that instead of considering social justice, Diversity Management is much more focused on maximizing profit, thus being reduced mainly to economic efficiency variables.

### **3 Managing Opportunity**

#### **3.1 The Human-Centred Capability Approach**

Society 5.0 is a concept aimed at the realization of a human-centered and creative society. It is important however to first have to examine the vision of a human-centred economy through the lens of the Capability Approach. The Capability Approach (CA) defined by Sen [33] and Nussbaum [26] is a multidimensional concept that addresses the economy of human well-being [31, 32]. It represents a critical response to the neo-classical approach, thus restoring ethical, moral and solidarity dimensions to the discussion of vital economic problems

Sen's interpretation [33] focuses on the 'doings' and 'beings' that people can achieve. These are referred to as 'functionings'. The capability set of one person is constituted by vectors of potential functionings which are available to choose from. Capability is bound up with opportunity and freedom, freedom requiring real opportunities [33]. The functionings achieved depend on the capabilities or opportunities that people have in order to reach the valued goal (capability set), which is in turn affected by conversion factors and available resources [33]. Conversion factors have a high impact on capabilities, as they allow people – if they desire- to turn capabilities into functionings. However, there are different types of conversion factors, as discussed in the literature. Deneulin and Stewart [14] outline the significance regarding the forming of capabilities of the structures of living together that define the properties of society, exploring how these are organized in terms of social norms, cultural practices and trust.

The most discussed conversion factors follow Robeyns' model [30], which recognises three groups of personal, social and environmental conversion factors. The individual or personal factors are internal to people, such as age, gender, ethnicity, talents and disabilities. Collective or social factors are aspects affected by the social environment of the individual (e.g. social and legal norms, discriminatory practices, power structures, societal hierarchies, an public policies respecting gender or ethnic discrimination). Environmental factors are external, including climate, geography, institutional resources and workfare policies. These factors are of major importance regarding the development of capabilities. All conversion factors have impact on beings and doings, and thus are relevant to freedom and the choice to convert resources into functionings.

The Approach emphasizes real freedom of choice and individual heterogeneity [22]. Well-being is viewed as relating to the freedom to live a life which the individual values [1]. The Capability Approach has been applied in various fields, though chiefly in regard to human development, inequality and poverty.

In respect of the intersectional theory [10] of multiple deprivation and disadvantage, human diversity in this work is kept consciously open. Intersectional theory concerns the multi-dimensionality and interrelatedness of plural forms of discrimination and identities. "Human diversity is no secondary complication (to be ignored, or to be introduced 'later on'); it is a fundamental aspect of our interest in equality" [33]. Human diversity is thus a primary consideration in the Capability Approach. Other normative theories recognize human diversity to a very limit extent.

Viewed through the lens of the Capability Approach, inequalities, power concentration, social discrimination and the reduction of diversity into singular affiliations generate deprivation of opportunities, freedom and development [31]. A capability gap results from lacking opportunity, meaning there is an imbalance between rights and opportunities and the ability to exercise and take advantage of these [20]. Ballet et al. [3] point out that differences in opportunity are associated with power inequality between different groups, explaining these problems as differences in power rather than culture. This reveals the great importance and impact of conversion factors in the social environment (context). The Capability Approach is a recognised concept in development economics with relevance to intersectional inequality.

### **3.2 The Process of Managing Opportunity**

Sen and Nussbaum acknowledge empowerment in the context of human development, indirectly recognising two forms of empowerment within the Capability Approach: agency and expansion of the capability set. This paper looks at managing opportunity in the context of companies and business management, discussing how companies that tend to focus on cultivating staff potential represent promoters of agency in carrying empowerment and capability forward. Empowering people by enhancing their well-being and agency increases opportunity for greater achievement.

Developing human potential and capability is the task of managers and leaders, who are called upon to create supportive conditions and frameworks within the organisational context. Companies are subject to dynamic complexity, representing turbulent systems which can be seen as organically self-organising. In this context, monocultural

companies are past-oriented, too rigid and less able to learn from experience and adapt accordingly, due to lacking creativity and innovation.

Ashby’s law, also known as Law of Requisite Variety, states that: “The larger the variety of actions available to a control system, the larger the variety of perturbations it is able to compensate” – which creates challenges for management [24]. According to Lewin [23], organizations can only be changed if their people change. And organisational change is a process, even as all change represents a learning process.

This explorative literature paper is theoretical and interdisciplinary. The research goal is to flesh out the classical Diversity Management approach in relation to the Capability Approach. It thus links the Capability Approach with the systemic-relational approach of organizational development, tying in with new perspectives on managing diversity in organisations. The study defines diversity as multiple competencies which represent problem-solving skills [4]. Managing diversity in organisations is therefore a matter of managing capabilities [28].

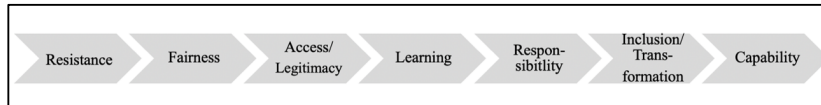


Fig. 1. Paradigms of Diversity Management [28]

With regards to the research lack of identifying capabilities in business cases, this paper presents a methodology for developing capabilities in organisations consisting of three primary steps: Diagnosis, Implementation and Reflection.

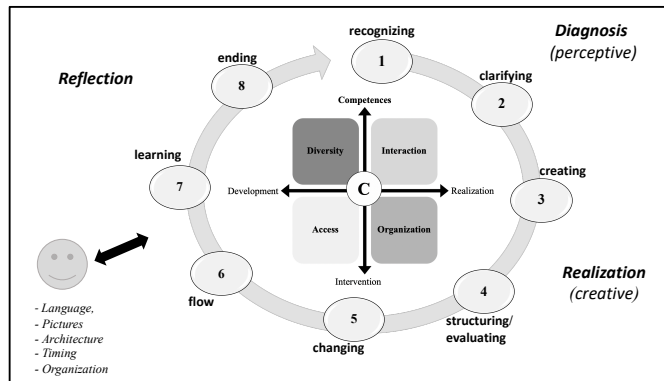


Fig. 2. The Capability Cycle [28]

This method, called the Capability Cycle, is a systemic-relational process of enabling capabilities, change and learning [28]. As is it a context-sensitive approach, it helps create a development-friendly context. The method recognises four levels within business organizations for defining capabilities (C): diversity (field of competencies, development area), social interaction (realisation options), organizational structure and

access to resources (intervention options), These four main areas have to be taken into account in the three primary steps of the cycle (Özdemir, 2019) in an iterative communicative interaction process consisting of eight stages: (1) recognizing, (2) clarifying, (3) creating, (4) structuring/evaluating, (5) changing, (6) flow, (7) learning and (8) ending (Bergmann 2014).

Every interaction begins with special occasions or a welcoming speech. The first steps involve defining a common ground, starting with the recognising of team members and relevant participants and followed by arriving at a mutually accepted description of the problem, then by arrangements regarding the issues. Members of the same team will have different backgrounds and have enjoyed differing opportunities. The manager has to place great emphasis on soliciting different views proceeding from the diverse socio-demographic characteristics of his/her team members. This helps generate a great deal of commitment in support of the project.

Arriving at a shared perspective around the task at hand becomes possible by jointly clarifying the context and working out commonly acknowledge rules. The second step is diagnosis, i.e. constitution of a common ground for agreement on mutual goals, competencies, visions and problems. Visions and guidelines facilitate identification, orientation and development. Erpenbeck and Heyse define competence as the capacity or ability to self-organise [15]. Competencies can be described as problem-solving skills.

Step three is about creating opportunity, solutions and differences. Creativity can often be promoted via 'abduction', such as in and through free zones that force team members to dissociate from the problem. Other well-known creativity methods include usability, brainstorming, mind mapping, brainwriting, method 635 and morphological boxes. After developing forward-looking ideas, team members then evaluate and plan possible solutions together to eventually arrive at joint decisions.

To realize a change in step five, one can intervene in the context, actors or institution. This in turn is possible by changing 1. language/images (e.g. concerned and respectful interaction, positive expressions by changing words), 2. design/architecture (e.g. pleasant working atmosphere), 3. organizational structures (e.g. flat hierarchies) and 4. time management (e.g., idle time, flexible working hours) [24]. Project members are invited to report and evaluate results and voice praise or criticism in the next stage. In the best-case scenario, participation and common decisions allow experiencing a flow which then in stage seven yields patterns for reflecting and learning. The project concludes with all participants providing feedback on their experiences.

Team organization is founded on the motivation of the members by decentralized and participatory nature promoting success. The main tasks of the manager or facilitator are to provide new ideas and provoke thought create a framework of interactively developed standards and goals and fostering a fearless atmosphere that gently supports vitality and overall development. This creates a favourable environment for cultivation of a shared culture and a conducive atmosphere for dialogue, communication, engagement and lasting relationships [7]. According to Ferrucci [16], only the kindest will survive. People in flow are friendlier, happier, more cooperative and more generous [11.]

This management approach makes possible the integration of heterogeneity into organizations. The manager plays a highly important role in shaping the change process

as the leader in forging and maintaining relationships with other actors, and in relation to the environment, products and other considerations. Managing means creating and forming the context by intervening in (a) language, images, culture, (b) time, (c) organisation and rules, (d) rooms and spaces and (e) people [4].

## 4 Conclusion

Conventional diversity discourse is sharply focused on highlighting elements of human diversity around a one-dimensional attribution of identity and stereotyping, at pains to point out that differences matter and how discrimination and exclusion take place on various levels. Beyond conventional discourse however, as in this paper, diversity management is looked at in terms of managing capability. The task of identifying capabilities for business cases is thus contextualized.

Enhancing capabilities requires a development-friendly management framework such as that introduced by the Capability Cycle – a relationship and context management process. While changing people as such is not possible, the framework and working conditions in which they function, i.e. the institutional and organisational context, can be influenced. Changing the framework or context effects behavioural changes that influence people and their relationships. This paper argues that differences between human beings should not form a basis for discriminatory practices, and that developing employee potential and promoting capabilities and opportunities should be the primary goals in view of the unchangeable traits of human beings (e.g. gender, ethnicity). For this is necessary to alter power dynamics in companies and social environments.

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