

# **Eastern and Western Forms of Informal Social Networks and its Implications for Managing Diversity**

## **Abstract**

Following the studies conducted predominantly by East Asian scholars, we rather observe social ties and networks being conceptualised; *Guanxi* (in China) as the most dominant research stream in the management literature; *Inmaek and Yongo* (in South Korea) or; *Jinmyaku* (in Japan). Our aim in this paper is to provide an expanded understanding of the impact of the concept of informal social networks on diversity management by applying the Syed and Özbilgin's relational framework in the Eastern context. The contributions made by this study shed light on a central topic in the cross-cultural management literature, informal social ties and effective diversity management and fill major gaps within the two dominant views.

## **Keywords**

Diversity management; East; informal social networks; West

## Introduction

Following the studies conducted predominantly by East Asian scholars, we rather observe social ties and networks being conceptualised; *Guanxi* (in China) as the most dominant research stream in the management literature; *Inmaek and Yongo* (in South Korea) or; *Jinmyaku* (in Japan). Analysing this stream of research by comparing it to the conventional definitions of social capital reveals fundamental deviations. Viewed to the social network lens suggested for instance by Bourdieu (1986), social capital is rather depersonalised and weakly instrumental or sentimental. In principal it is a non-kinship based tie. According to Granovetter (1973, 1995) weak ties are of particular value to the individual and important for acquiring information or a job.

Analysing informal social networks in East Asia, e.g. *Guanxi* is described in the first place as being a strongly personalised dyadic social tie, emotional, and less instrumental. It can be kinship-based or non-kinship-based (Li, 2012; Luo, 2000). Distinctive in Korea, *Yongo*-based ties that are highly important in business, are partly predefined by birth; it is an emotional tie (Horak, 2014).

There exists a plethora of research findings indicating that diversity, and especially racial diversity, profoundly undermines a sense of social cohesion and solidarity (Letki, 2008).

Diversity management is, according to Pitts, Hicklin, Hawes, and Melton (2010), an organisational reaction to workforce diversity and its associated challenges and opportunities.

Diversity management initiatives classically tackle the concerns of traditionally underrepresented groups of individuals, such as people of colour and women, but many also focus on other dimensions of diversity, like age, professional background, religion and sexual orientation, which affect work-related outcomes (Pitts et al., 2010).

At the macro level, despite an abundance of legislation, which promotes equality in the workplace evidence shows that pay and promotion prospects for minority employees are

inferior to those of the majority (Morgan & Várdy, 2009). Evidence suggests that the careers of minorities, are not only mediated but also constrained by policies and the status quo as well as other inter-related aspects such as age, with clearly none of these characteristics being mutually exclusive. It is also notable that meso level factors, including leadership opportunities and experiences, and family influences, can have subsequent implications for micro level factors. Access to “social capital”, which is the aggregate of the resources linked to membership in a group (Bourdieu, 1986), is frequently the privilege of the dominant group (Randle, Forson, & Calveley, 2014).

The aforementioned examples point to fundamental differences between the social capital concept and the three East Asian concepts of informal social ties and networks. If the fundamentals are different, different consequences can be assumed. Thus, interesting research questions emerge: First, is social capital merely a Western concept that can't be universally applied? How is it conceived in Eastern societies? What are the specific implications of informal social networks for effective diversity management?

In this study, we attempt to address these research questions by applying Syed and Özbilgin's (2009) relational framework for diversity management on two different contexts: the Western and the East Asian.

Our aim in this paper is to provide an expanded understanding of the impact of the concept of informal social networks on diversity management in two different contexts: the East and West. To this end, we review past literature on informal social networks, and highlight some crucial questions that remained unanswered as regards its application in the East. The contributions made by this study shed light on a central topic in the cross-cultural management literature, informal social ties and effective diversity management and fill major gaps within the two dominant views (East and West).

## **Informal social networks in East Asia**

### ***Korea***

Korea is often described as a relational society (Horak 2015). In economic transactions, for instance, personal sentiments are taken into account, so that rational decision making is seldom detached from personal factors. Solving problems in business settings, for example, will always include personal ties and the relationships between the people involved as they are regarded as an integral part of the solution to a problem.

*Inmaek* (인맥), simply translated, refers to a ‘network’ of social ties, conventionally used in the English language to refer to social relationships that one establishes in the course of life (Horak, 2014). In more detail, it literally translates into ‘people entangled like vine’ (Yee 2015, p. 38). Although a distinctively Korean social tie, *Inmaek* could be described as identical to the much studied Chinese construct of *Guanxi* (Fan, 2002; Ho and Redfern, 2010; Lin and Ho, 2010; JLuo, 2011; Luo, 2000). *Inmaek* ties can be established purposefully, or without any instrumental intentions (Horak, 2014). They are conventionally developed between individuals from the same home town, alumni from the same educational institutions, people who do military service together (quite a strong tie in Korea), ex-colleagues who once worked for the same employer and still keep in touch and people who share the same hobby or are members of the same sports club. The basis upon which *Inmaek* ties are established is diverse. Usually *Inmaek* ties include the notion of affection and loyalty between individuals (Lew, 2013) and forging informal personal relationships is an important factor in interpersonal transactions in business, politics and society as a whole (Kim, 2008). *Inmaek* establishes an emotional bond between people. It describes social ties between two people or more in a network, connected directly or indirectly through others. A direct connection would imply a stronger tie and an indirect connection a weaker one. A direct connection can easily be established and instrumentalized when needed as an indirect

connection through informal group membership already exists. Quantitatively measuring the strengths of informal ties is typically regarded as a problematic and rather unsuitable approach as such ties are often regarded a taboo subject or a highly private asset in respective countries. Accordingly, whether *Inmaek* ties can be regarded as strong becomes an empirical question. However, scholars assume that a) contact frequency and b) duration are important variables determining *Inmaek* tie strength. Furthermore, reciprocal actions are important in maintaining *Inmaek* ties. These can include the trading of information that it is difficult for the public to access, the exchange of favours, etc. (Yee, 2015). While all interpersonal interactions are embedded in Confucian ethics, *Inmaek* requires adherence to particularistic ethics. These include commitment to loyalty and the acceptance of patronage within the social hierarchy determined by Confucian norms of behaviour. Dyadic and network-like *Inmaek* relationships follow quasi-family ideals that distinguish them from relationships with outsiders. Whereas insiders are viewed as quasi-family members and are treated with benevolence and care, outsiders receive no special attention. *Inmaek* implies a moral obligation to the group. Yee (2015) reports that more successful members are urged by peer pressure to help less successful members. *Inmaek* is often used with good intentions, for example to help less fortunate people secure a job or get promoted, although at times this is at the cost that such people do not have the best suitable qualifications or skills. *Inmaek* ties can in principle be seen as positive relational capital as they are open to new members, promote the advancement of communities and feature mutual help and social exchange. Thus, *Inmaek* can potentially promote the public good. However, *Inmaek* can turn bad if communities take the shape of small exclusive cliques that support each other only for the benefit of personal gain at the cost of others and act against the universal codes of conduct. Whereas *Inmaek* ties are the rather general form of a network, a more specific form, widely spread in the Korean business world and society, are *Yongo*-based ties.

*Yongo* (연고) describes informal dyadic or network ties between individuals that are largely ascribed. Horak (2014) defines *Yongo* as the ‘the term for personal relationships in Korea that are attached to affiliation to an informally organized group. (...) *Yongo* derives its main cohesion power from strong particularistic ties, based on kin, educational institution (school/university) and region’ (Horak, 2014, p. 87). Translated into English, the syllable *yon* means ‘tie’ and includes a characteristic of affection that explains a connection between people. The syllable ‘*go*’ carries the meaning that the bond exists for a certain reason. A mutual personal background is regarded as the basis for *Yongo* ties, traditionally linked to: 1) kinship and blood ties (*hyulyon*, 혈연), including to extended family members; 2) ties to people from the same region or hometown (*jiyon*, 지연); 3) attending the same educational institution – high school, college or university – representing *hakyon* (학연). With regard to this latter form of tie, attendance at the same time is not a mandatory precondition for the development of a *Yongo* tie. Even if individuals attend the educational institution decades apart, they share *hakyon* as alumni.

The three traditional foundations upon which *Yongo* is established are thus *hakyon*, *hyulyon* and *jiyon*. These ties, either separately or in combination, represent bonds that last for life. Due to the critical role of these three pillars, *Yongo* is to a great extent preset and thus it is scarcely possible for outsiders to establish *Yongo* ties. More specifically, two of the three – *hyulyon* and *jiyon* – are predefined and given by birth, i.e. ascribed (Lew, 2013; Yee, 2000, 2015). As being born into a particular family and place of birth cannot be influenced by the individual, the educational institution is the only affiliation that can be chosen. However, *hakyon* ties based on alma mater affiliation have only recently gained importance over high school ties, as today high school graduates are more inclined to choose a university away from their home town. Previously, people used to attend high school in the region in which they were born. Hence, *hakyon* based on high school ties was strongly predefined.

Lines of social demarcation were observed as early as the Choeson period (ca. 1392–1910), in which the aristocratic rulers (the Yangban class) ‘grouped itself into mutually exclusive factions and clans that engaged in fierce rivalry. The fragmentation of the *Yangban* society along the line of scholarly association, kinship and region gave rise to purges and factional strife’ (Sik, 2005, p. 84). These three camps separating communities from each other are the bases that define *Yongo* and are still found today.

As *Yongo* is ascribed, it is cause-based, immutable and irreversible. *Yongo* networks are rather closed and exclusive. Although they can be (and frequently are) instrumentalized, in principle having *Yongo* does not imply pursuing any purpose. *Yongo* is often a determinant in distinguishing between in- and out-groups. When people share *Yongo* (i.e. *hakyon*, *jiyong*, or *hyulyon*), proactive cooperation, flexibility, mutual understanding, tolerance, loyalty and trust prevail; relationships with people who belong to a different *Yongo* camp are rather oppositional, not considered worthy of care or dismissive. Kim (2000) notes that ‘outside the boundary, on the contrary, people are treated as “non-persons” and there can be discrimination and even hostility’ (p. 179).

The influence of *Yongo* can be observed in contemporary politics and the business world in Korea. For instance, ties based on *jiyon* (i.e. regional origin) are widespread in politics (Horak, 2015a; Kim, 2007). Voting is strongly influenced by the regional origin of the candidate. Shim et al. (2008) point out that ‘(...) many Koreans will vote for a political candidate, even if the person is less qualified, just because he or she attended the same school or came from the same region of the country (...)’ (p. 85). Between 1948 and 2013, Korea had 10 presidents, 50 per cent of whom were born in the same region, the Kyungsang province in the southeast of Korea. Also, approximately one-third of industry leaders, executives and government ministers were born in the same region, again the Kyungsang province (Kim, 2007).

## ***Japan***

The Japanese term *Jinmyaku* (人脈), translated into English, approximates ‘personal connections’. The word *Jin* stands for ‘person’ and *myaku* is translated into ‘vein’, as used in the field of geology to specify a vein of mineral deposits for instance. Having *Jinmyaku* is of paramount importance in business and politics and is vital in other aspects of life. Members of a *Jinmyaku* network support and help each other in terms of career progression or taking decisions. Having a large *Jinmyaku* network consisting of influential members is said to be ‘a symbol of security and status’ (Erez, 1992, p. 57). Establishing *Jinmyaku* starts very early. It is a lifetime process beginning in one’s school days. Whereas the Japanese are known to be rather reserved towards people they do not know, an introduction by a third person through *Jinmyaku* can open doors and help in debates or negotiations when rational arguments alone are not enough to reach agreement (Mitsubishi Corporation, 2011).

Compared to Westerners, Japanese people are in general regarded as less sociable in terms of establishing social ties (e.g. through small talk) or friendships with foreigners, i.e. with persons who belong to a different organization or community. In terms of trust ascription and sociality, Japanese people tend to distinguish between in- and out-groups. The depth and prioritization of relationships tends to correlate with their duration, so that long-term relationships are kept and maintained on a preferential basis, contrary to social ties in the West where people meet less often, may move away due to career demands and engage in developing social ties at the new place of residence. Westerners tend to establish affinity to others to a great extent based on shared traits, interests, etc.; the Japanese do so rather on the basis of shared affiliations, obligations or allegiance. Due to its focus on personal relationships, either formal or informal, Japan has often been described as a network society. In business, the development of large *Jinmyaku* networks is considered of utmost importance for decision making, as a source of information gathering external to the firm, as well as for

career progression (Gilbert, 2003). *Jinmyaku* relationships relate to relationships inside the firm, with superiors, peers and subordinates, and outside the firm, i.e. with customers, decision makers in other organizations and government officials. Tactfulness and skill are required to develop *Jinmyaku*. Within an organization, the duration of membership, loyalty and seniority play a role, as well as caring for subordinates and coaching them. This includes being sensitive to and adequately relating to a situation. As is usual in Japanese organizations, decision making and problem solving involve a large amount of informal coordination, information exchange, the involvement of various stakeholders, the reconciliation of interests and negotiation before a formal decision is made. The final decision is often rather the official result of what has previously been agreed informally. A trusted *Jinmyaku* network is a precondition for informally coordinating this process (Suzuki, 1989). To complete an important project or task or to progress in one's career, job-related skills are important, but so is a large *Jinmyaku* network. Given both, one can strengthen one's position as a trusted member of an organization. *Jinmyaku* is a precondition for influencing and reaching decisions. It is applied internally to the firm; also, as the private and business spheres are not separate in Japan, it is also used informally after work meetings, for example dinner or drinks, or at weekends in sports activities with colleagues, superiors, suppliers, subcontractors and other external stakeholders.

External *Jinmyaku* is important when former (retired) government officials become managers of large businesses at the age of approximately 55–60 years old. This practice is common in Japan and is known by the term *amakudari* ([天下り] 'decent from heaven', derived from *ama* meaning heaven and *kudari* meaning descending). Through *amakudari*, the government is able to influence and control decision making in a firm and the firm benefits through close ties to the government through the retired bureaucrats (Kevenhörster et al. 2003). This practice has often been equated with corrupt activities as the government-officials-turned-

managers help to acquire public contracts, delay inspections and ensure various forms of preferential treatment through their *Jinmyaku* network within the administration (Suzuki, 1989; van Wolferen, 1993).

### ***Guanxi***

*Guanxi* is regarded as an important factor of influence in China's social cohesion; hence, it is equally important in economic activities (Luo, 2007; Chen et al., 2013; Li, 2007a,b). Rather simply defined, it describes the relationship between objects, forces, and people (Yang, 1994). Pye (1982) defines *Guanxi* as friendship with implications of the continued exchange of favors. The Confucian norm of reciprocity, as well as the focus on family and kinship, is expressed in the practice of *Guanxi*. *Guanxi* implies a mutual obligation between two or more subjects. If one receives a favor from someone, it is expected of him or her to return a favor when asked for it.

Historically, *Guanxi* provided welfare and took care of the social as well as material needs that formal institutions were unable to provide (Fan, 2002). In 1951, Weber asserted that in China a lack of obligation existed towards political, ideological, or other impersonal groups. Therefore, unsurprisingly *Guanxi* institutions survived throughout centuries, filling the gaps of formal institutions and became an integral part of the Chinese social system. *Guanxi* can be used as a substitute for a reliable government and when an established rule of law is lacking. Weber also mentions that Western capitalism has been the root of the development of formal structures (1930). This can be observed in China since the government's decision to proceed with economic transition. In order to improve conditions for foreign investors, formal institutions are constructed and strengthened. *Guanxi* is also long-term-oriented and serves as a mechanism to stabilize social and economic relations. Estimates show every Chinese national belongs to at least one *Guanxi* network. Every story contains two sides; therein *Guanxi* must also include negative characteristics. Owing to the immense trust

between the members of a *Guanxi* network, a safe environment arises for illegal transactions in a rather low-trust environment. The character of *Guanxi* changed after the economic transition. Due to increased possibilities for corruption, often observed when new formal institutions are introduced into countries in transition, *Guanxi* was widely used for illegal and rent-seeking purposes. This situation resulted from government officials with excessive power but little money and the formation of a new class of businesspeople that lacked power but had ample funds (Taube and Schramm, 2003). However, while the Chinese economy prospers, there are detectable cultural changes (Leung, 2008) which, without doubt, also reflect on the institution of *Guanxi* networks.

According to Li (2007b) *Guanxi* plays a dual role as a specific event as well as an informal institution. In this context however, we decide to treat *Guanxi* first and foremost as an institution in accordance to the definition by Wang (2000) and other various scholars (e.g. Chen & Chen, 2004; Guthrie, 1998; Pye, 1995). To better understand *Guanxi*'s dual character, in reference to its negative and positive effects outlined above, one must understand the 'paradox' (Fang, 2012) of its immanent integration ability of both forces. In a Chinese context, this paradox is explained by an ancient, indigenous Chinese philosophy of Yin Yang (Chen, 2002; Li, 1998, 2008) and a central theme in Taoism. According to the Yin Yang view a phenomenon has two opposing elements that are dependent on each other in order to be complete. Both opposing elements mutually transform and balance each other under different conditions. They mutually affirm and negate each other in unity (Li, 2008). Hence, from a Yin Yang point of view contradicting positions are natural, non-paradoxical (i.e. the West often attaches a negative connotation to the word 'paradox': Fang, 2012) not mutually exclusive, but rather mutually dependent and necessary. Yin Yang is a force that synthesizes and harmonizes opposites, aiming at balancing contradictions (Fang, 2003, 2010; Li, 2012). Understanding contradictory dynamics is a major research theme in the recent

paradox debate (Beech et al., 2004; Lewis, 2000) that is so far, curiously, discussed in parallel to the Yin Yang debate with less adaptation of the Yin Yang lens on phenomena (exceptions are, e.g. Chen 2002, 2008). Just recently, an increasing amount of scholars investigated the question in relation to how actors accept paradoxes and consequently deal with them (Jay, 2013; Smith & Lewis, 2011). However, whereas the paradox-scholars generally perceive the amalgamation of contradictory elements a 'paradox' that appears absurd, irrational or illogical; the Yin Yang world view has potential to provide an answer and contribute to the debate by 'synthesizing' the connection between contradictions (Chen, 2002, 2008; Li, 2008).

### **The relational framework for diversity management and informal social networks**

It has been argued (Cooke & Saini, 2010; Soni, 2000) that the objective of effectively managing diversity is for organisations to amplify awareness of cultural differences. This can be achieved through enhancing "the ability to recognise, accept, and value diversity through organisational intervention to minimise patterns of inequality experienced by those not in the mainstream; and modify organisational culture" (Cooke & Saini, 2010, p. 480) and leadership practices so that members of all socio-cultural backgrounds can contribute and realise their full potential. It has also been suggested that the most important reasons for dealing with diversity include, amongst others, effective human resource management, undertaking market competition, and enhancing corporate image (Konrad, Prasad, & Pringle, 2006).

The literature on the impact of diversity management highlights that the key in ensuring that the organisation can fully enjoy the benefits of recruiting underrepresented groups lies on its management. A number of Western organisations have established diversity management initiatives as a way to enhance "the ability of diverse groups to work together and limited

empirical research has demonstrated that diversity management can improve outcomes in diverse organisations” (Pitts et al., 2010, p. 868).

Taking into account the dynamics of diversity and the fact that organisations need to cope with diversity issues, regardless of whether they offer the opportunity for competitive advantage or not (Cox Jr & Blake, 1991), organisations need to develop systems and practices for its effective management. Multiple reports and meta-analyses have examined effects of diversity in the workplace (Joshi & Roh, 2009; Webber & Donahue, 2001) and have concluded that the relationship between diversity and organisational outcomes is complex and based on a plurality of different possibilities. One of these likelihoods is the presence or absence of effective diversity management through practices that are designed and applied in order to produce positive results in a multicultural workplace. Kossek and Pichler (2007) describe management practices of diversity as any official practices which aim at increasing cultural diversity, create a positive working relationship between the various stakeholder groups, and create value from cultural diversity.

This paper applies Syed and Özbilgin (2009) comparative, multilevel framework for diversity management, to investigate policies at three interrelated levels of analysis in Western and Eastern contexts. At the macro-national level, the effectiveness and implications of the present legal system is evaluated, and we discuss whether it brought about the desirable results of safeguarding a fairer and efficient legal system, eliminating any kind of discrimination at the national or global level. At the meso-organisational level, the paper presents a number of diversity management policies at the workplace. At the micro-individual level, we investigate the extent to which informal business relationships and access to informal social networks affect employees’ integration or lack thereof in the workplace.

### *Macro-national perspective*

At the macro-national level, in this paper we examine government policies and legislation covering employment practices with specific reference to managing a diverse workforce.

### *Legal framework*

#### *Equal opportunities*

Considering diversity, in the West, has progressed since the 1980s, when the term was mainly used as a reference to employed women and minorities (Ely & Thomas, 2001). Back then, it was common for the upper echelons to consider diversity in the workplace as a way to pay greater attention to gender, national and cultural representation in the recruitment and retention of people coming from underrepresented social groups. As Cook and Glass (2009, p.395) revealed, “the similarity attraction model builds on social identity theory to suggest that in-group preferences often lead to evaluation bias. In work organisations, implicit preferences often lead to homophile in which individuals promote those most similar to themselves in terms of demographic characteristics and cultural and social background”. In 1964, the U.S. Government based on constitutional amendments, requested businesses to employ more women and people that were considered as minorities, while giving them greater opportunities to ascend the organisational hierarchical ladder. In 2010, the Equality Act ensured that no individual could be discriminated against within their potential or current working environment, with regard to their age, belief, gender, race or sexuality (Act, 2010).

Although Japan enacted the equal opportunity law in 1988 its actual implementation is far from satisfactory (Magoshi & Chang, 2009). In 1999, the Basic Law for a Gender-equal Society, was enacted aiming to set the stage for the formation of a gender-equal society by stipulating the liabilities of both the government and the citizens, followed by the appointment of the first Minister of State for Gender Equality and Social Affairs in 2005.

However, evidence suggests that organisations remain greatly male dominated; as of 2015, the ratio of women in managerial positions at government offices and ministries in Japan was only 3.5 percent, while the corresponding figure for the private sector stood at 9.2 percent (Forum, 2015).

In Korea, the 1948 Constitution consists of articles promulgating the equality of sexes in education, employment and all aspects of social life. In 1985, the Equal Employment Act was enacted aiming to enhance gender equality in the workplace. In 1995, the Korean Assembly voted for the Women's Development Act, following the 1995 Beijing Platform of Action, pointing towards eliminating prejudice against women. The Act stipulated specific obligations of organisations to promote gender equality and the progression of women, to eliminate any form of discrimination and to enhance their well-being. In 2001, the Ministry of Gender Equality was established, which was then expanded in 2005 and renamed the Ministry of Gender Equality and Family.

A perusal of the literature reveals various similarities between Korean and Japan as regards the progress made in achieving a work-life balance, particularly apropos establishing and promoting family friendly practices and policies. In this respect, Korean companies have appeared to be in general hesitant, insofar, to implement any plethora of policies and systems to achieve work-life balance for both men and women. In Korea, typical weekly working hours lean towards being very long with almost 90% of the male workforce spending over 40 hours a week at work as opposed to the 76% OECD average. Despite the fact that a lower ratio of Korean female employees work over 40 hours a week (77%), still the percentage is considerably greater than the OECD average of 49%. Notwithstanding the legislation prohibiting discrimination, its enforcement has been noticeably weak. A profound lack of support measures for working women, along with inadequate child care support measures constitute a significant barrier to promotion and further advancement. However, the launch of

the first five-year Comprehensive Plan for the Development of Women Resources and the Female Employment Expansion Measure in 2006 aimed raising the level of participation of women in the labour market. Having introduced the institution of “Best Family Friendly Management” certifications the Government endeavours to provide incentives to organisations to establish and promote family-friendly policies for employees. By launching schemes for both paternity and maternity leave, as well as by initiating the formation of a “Support Center for Working Moms and Dads”, the Korean Government is aspiring to achieve gender parity. In a related vein in Japan, the Government has made an attempt to encourage organisations to engage with family friendly policies. According to Magoshi and Chang (2009, p. 33), a plethora of Japanese companies are keen to put into practice pertinent measures:

*For example, Hitachi started a so called FF plan, or Gender-Free and Family Friendly Plan, in April 2000. Regarding the family friendly plan, in addition to granting maternity leaves of 8 weeks before and after birth, respectively, Hitachi provides a childcare leave up to when a child is 1-year-old. This period is extended further to the last day of the company’s current business year.*

*Hitachi also allows its employees to take half days off as often as is necessary during the period from pregnancy through when a child enters the third grade of elementary school. During the same period employees can also work under a flextime system or at home. Toyota also implemented a similar program. It provides childcare leave of 2 years until the child becomes 2 years old. Employees can also take 5 days off per year to attend to a child when he or she is sick (up to the age of eight).*

Gender equality has been a priority for the Chinese Communist Party (CCP) since 1949 (Edwards 2004 in Nolan, 2009). In so doing it has introduced an equal opportunities legislation based on the principle that “women and men have an equal right to paid work and that ‘women’s liberation from feudalism and patriarchy’ is an important ideological goal” (Nolan, 2009, p. 1). The Labour Law that was enacted in 1994 proclaims that “women and men shall enjoy equal rights with respect to employment; women may not be refused employment because of their sex’ and furthermore, ‘equal pay shall be given for equal work” (Nolan, 2009, p. 1). However, after China embarked on economic reforms in the 1980s, gender inequality in organisations in China has amplified. The intensification of rural-to-urban migration along with the collapse of the work-based welfare system, led women to often face redundancy, where a plethora of female workers are bound to risk their well-being by being pushed into precarious labour trajectories (UNRISD 2005 in Nolan, 2009).

#### *Anti-discrimination*

The Constitution, the supreme law of Japan, assures equality under the law without any form of discrimination or exclusion, regardless whether discrimination is indirect or direct, as is evinced by the provision laid down in paragraph 1 of article 14 that “all of the people are equal under the law and there shall be no discrimination in political, economic or social relations because of race, creed, sex, social status or family origin” (Nations, 2013, p. 3). The widely held stance however, equalises the Japanese identity with Japanese citizenship, Japanese blood lineage, knowledge of the Japanese language and internalisation of the Japanese culture (Hammond, 2006). And even though Japan is considered relatively homogenous, still there are Japanese citizens who belong to ethnic minorities, like ethnic Koreans or Chinese and the indigenous Ainu, as well as resident non-nationals. Pertinent to the prevailing attitude of Japan having one-dimensional, dominant, pure Japanese ethnicity and culture, minorities are barred from entering the innermost superior “we” Japanese group.

Even though equality related issues have gained eminence lately, with scholars pinpointing discriminative practices against indigenous Japanese Ainu and the Japanese-born Korean population (Hammond, 2006), when claims for Japan to be “one nation, one civilization, one language, one culture and one race” come from the Japanese Minister for International Affairs and Communications ultimately cultivate an exclusive culture.

The Korean Constitution stipulates that human rights should not be underestimated merely on the grounds that they are not specified in the Constitution. Despite the absence of a general law on the prohibition of discrimination, there are various laws that forbid discrimination in each corresponding area. Examples of these laws include the Anti-Discrimination against and Remedies for Persons with Disabilities Act, the Labour Standards Act, the Equal Employment and Support for Work-Family Reconciliation Act, the National Human Rights Commission Act and the Act on Age Discrimination Prohibition in Employment and Aged Employment Promotion.

As the Article 4 of the Constitution of China evidences “all nationalities in the People’s Republic of China are equal” and “discrimination against and oppression of any nationality are prohibited” (Nations, 2001, p. 3) .This provides that all the policies and regulations in China should exemplify the value of inclusion and equality amongst all ethnic groups and are not to comprise anything that is likely to trigger discriminatory attitudes against individuals. The legislative bodies enacted a plethora of laws in order to safeguard the human and social rights of individuals, and especially minority and under-represented groups, thus promote their well-being.

However, as suggested by MacGillivray, Beecher, and Golden (2008, p. 66) 85.5 percent of the respondents participating a survey of job discrimination in ten major Chinese cities

claimed the experience of job discrimination. More than half of the participants said the discrimination is “very serious” or “considerably serious”:

*About 22 percent of the disabled interviewees said their job applications had been turned down. Next are people with low education (18.7 percent) and then job seekers who do not have local hukou or residency registration.*

*Employers do not hide their discrimination against the disabled: 51.3 percent of the interviewed employers said that when they turn down job seekers for health reasons, they frankly say so to them.*

*There is also widespread (65.9 percent of the respondents) discrimination in the recruitment of civil servants. Excuses for the discrimination are low education (45 percent), absence of a local hukou (43 percent), disability (40.9 percent), and other health problems (40.7 percent). It has also been found that in some cases of civil-service recruitment there were discriminatory requirements regarding the applicants' sex, height, and appearance.*

### ***Meso-organisational perspective***

At the meso-organisational level, we discuss a plethora of organisational approaches towards managing diversity, and the initiatives that organisations in China, Japan and Korea have undertaken independently of the legislation.

McDonald (2008) research aimed in understanding the way diversity managers conceptualize diversity management in Japan. Through the lens of grounded theory, after acknowledging the limited Japanese literature into diversity management, the author concludes that future work on diversity management in the Japanese cultural context should consider embracing a novel conceptual notion of what consists effective diversity management in Japan taking on board the experiences from the actual Japanese work field from bottom up. In the same

paper, fundamental Japanese keywords are introduced. Firstly, if we were to translate the concept of diversity in Japanese, we would end up using either 多様性 (tayōsei) or 異質性 (ishitsusei). Tayōsei is interpreted as “plethora” or better yet “variety”, whereas Ishitsusei is translated to heterogeneity. In the Japanese business language, the most common term used when referring to diversity is ダイバーシティ (daibāshiti), which is non-Japanese in origin and hence not yet a recognised part of the Japanese lingua franca.

The absence of a Japanese word that integrally represents the actual meaning of the Western context of diversity; the exclusion of daibāshiti from the official vernacular; and the emergence of the need for daibāshiti to exist so as to refer to a Western context that the Japanese culture adopted, reflect the role of diversity management in the Japanese culture, being a Western concept that was simply adopted without being contextualised.

When defining diversity management in the Japanese context, Arimura (2007, p. 39 as cited in McDonald, 2008) suggests that:

*“although the language used by each author differs, there are elements that all have in common. That is to say that diversity management is ‘the long term process of organization change to increase the competitive position of the company through various differences found amongst people (or what is called) diversity’”*

Arimura’s research emphasises a major variance between the US and Japanese companies that were included in the survey he conducted. Basically, the Japanese companies compared to the US companies, lagged in the equal representation and inclusion of underrepresented minority groups and women, as well as in the effective establishment of diversity practices and training. The findings indicated that the Japanese companies that were based in the US,

were not as open and flexible to diversity-related changes as their US counterparts were.

Pertinent to the notion of global diversity, Özbilgin (2005, p. 37) comments:

*“Japanese companies need to reconsider justification of localization and diversification of their workforces, in order to respond to rapid social changes in the US labor market: It is also necessary that localization and diversification efforts also target to top officer levels. Although localization is evident, it should also be noted that majority of the 'local' employees are actually white workers, and women are relatively few in the workforce. In order to facilitate change, awareness raising activities should be provided: It is also important to note that these changes are necessary as localization and diversification strategies outlined in Arimura's work is essential for compliance to the Equal Employment Opportunity Act in the USA.”*

Commensurate with Magoshi and Chang (2009) findings Japan and Korea exhibit similar characteristics in adopting and implementing diversity management related practices and programs. Both countries are found to be reluctant in launching diversity management initiatives, resulting from an incompetency in acknowledging the social value and need for doing so. Organisations in the two countries only recently established diversity management practices, and the enactment of these policies are remarkably implausible compared to Western multinational companies. Their research suggests that (p. 32):

*“Out of 17,000 employees in the Asia Pacific region, there are about 3200 women (19%). Out of 180 executives, only 6% are women. In addition, compared with ASEAN countries' 10% female executives, Australia's 7%, and China's 6%, Japan shows only 2% and Korea reports 0%.”*

According to the same source, even though the proportion of female employees found at lower managerial positions is aligned with the proportion of women in the total workforce, this percentage decreases radically when referring to top managerial positions. Women in middle management positions appear to be affected by a glass ceiling phenomenon, particularly if the female employees fall in the age bracket of mid-30s, where work-family conflict is more likely to arise. Specifically in Japan, the labour market appears to be directly discriminating against female employees, a fact echoed on the high gender wage gap - twice the OECD average. Work-related pressures and inflexibility cause parents in Japan to consider work-life balance as unreachable. This results in low female employment, whereas interestingly enough, female part-time workers accounted for 69.7% of the total part-time workers in 2005.

All the executives interviewed in major Korean companies in Magoshi and Chang's (2009) study highlighted the radical modifications that have occurred in the wider Korean society since the Asian financial crisis in 1997. For example, at Samsung Electronics, employees choose to retire as early as their mid-40s, due to the high levels of stress that are associated with the ever increasing competitive nature of the job. As a response, the top management has introduced a performance-based motivational scheme thus replacing the outdated seniority-based compensation mechanism. The same was found to be the case for a number of Japanese corporations- compensation and promotion are now independent of seniority. In addition, there is an increased external competition on the employees to meet the organisations' diversity requirements. In this respect, Mitsubishi Corporation has established a new job role seeking for trilingual individuals who are fluent in Japanese, English and Chinese. The majority of these employees are of Chinese nationality educated in Japan, whereas some of them are Japanese that were somehow exposed in the Chinese language and culture.

In their paper, Cooke and Saini (2012) investigate diversity management practices in China and explore the pertinence of the western approach to, and notion of, diversity management in the Chinese cultural context, by inquiring into the way managers conceptualise the term. The majority of the Chinese managers that Cooke and Saini (2012) interviewed claimed not to have been exposed to the notion of diversity management prior attending the research. Following authors' clarification they stated gender, cultural diversity and age as the main sources of diversity within their organisations, whereas interestingly enough, none of the firms included in the survey had established any form of policy or equal opportunities plan to effectively manage and promote the value of diversity and inclusion. Chinese managers conveyed that (p. 24):

*“diversity was “not an issue” in their organizations and therefore there was little need to manage diversity. Some of them are insensitive to diversity issues and hold biased perceptions of women (e.g. women are seen as less productive and family oriented). Not surprisingly, hardly any activities on DM in their organizations were reported.”*

In this regard, obviously most Chinese organizations do not consider diversity management as worthy of any priority, whereas equality and diversity related matters remain largely unchallenged in public discourse. Where exists, diversity management mechanisms emphasises on ensuring conflict avoidance rather than a value-added fundamental aspect of the organisational culture and strategy, as suggested in the corresponding western literature.

### ***Micro-individual perspective***

At the micro-individual perspective we explore the extent to which informal social networks affect the employees' integration or lack thereof in the workplace.

### ***Informal social networks and diversity management***

As described in the meta-analysis by Shore et al. (2009), different theories have been applied for the effective management of diversity and different results have emerged depending on the level of cultural analysis. For example, it has been found that multiculturalist executives can attract, in some national cultural contexts, women and minority groups into the organisation and that racial similarity between executives and employees contributes to employee expectations for positively valuing diversity (Avery, 2003). However, scholars should more carefully consider the possible influence of the informal social relationships on diversity management, both across hierarchical levels and horizontally; for example between employees or organisational units of the same hierarchical level.

The cultural analysis of the external environment of the organisation is primarily intended to identify factors affecting cultural diversity and subsequently having an impact on the firm. Based on the literature review of Shore *et al.* (2009), some of these cultural contexts include: the national culture; the professional sector (occupation); industry; the legal framework; the economy; and local societies / communities with which the organisation and employees are integrated. Each of these dimensions can have different effects on individuals, teams and organisations. These effects range from the more generalised, like the economic environment, to more specific, like the access to informal social networks.

Given that the micro-environment interacts with each macro-environment in which the organisation operates, it is expected that cultural complexity should increase as the organisation operates simultaneously in different macro-environments, involving different political, legal, economic and technological contexts (Thanopoulos, 2012). Analogously, the internal organisational cultural contexts include the organisational culture, strategy, human resources and their social interactions. Therefore, depending on the size of the organisation,

there may be many different groups that determine the extent to which individuals are culturally different, as well as the positive, negative or neutral effects of this diversity (Shore et al., 2009). The analysis of subcultures and the informal social relations, and their relationship to organisational culture, is a useful tool for the analysis of cultural contexts within the organisation.

On effective managing diversity, perceptions and attitudes towards belongingness in informal social networks play an important role. Initially, there is concern regarding what individuals in organisations perceive as culturally different, and what their attitude is towards this difference. For example, what people consider as advantages and disadvantages of homogeneous and heterogeneous groups; what their general perception of diversity is; and what characterises someone as different. Additionally, Garcia-Prieto, Bellard, and Schneider (2003) argue that scholars should take into account how people experience and sense their social identity, rather than arbitrarily classify them into predefined categories. Within the same context, Nishii and Özbilgin (2007), in their proposed model for global diversity, indicate that definitions of diversity are sensitive to the cultural context.

The legal arrangements to reduce discrimination emphasise mainly on the social level and do not focus on the level of the organisation or the individual (Subeliani & Tsogas, 2005). For example, affirmative action focuses on specific minority groups that are demographically different in terms of gender, age, physical abilities, ethnicity, sexual orientation and race. However, the management of diversity in organisations is based on a more comprehensive and wide definition of diversity.

Ely and Thomas (2001) argue that employees should be encouraged to bring their own cultural elements into the organisation, and describe the ideal results desired from implementing practices for managing diversity in organisations. Kossek and Pichler (2007)

expand the view of these researchers and conclude that the best diversity management practices are those that achieve the following three objectives: (a) promoting concepts of organisational justice and inclusion, (b) reducing discrimination and (c) improving economic competitiveness.

### ***Guanxi, Yongo and Jinmyaku - based diversity management***

Härtel, Ma, and As-Saber (2010) argued that the perceptions of the state of *guanxi*, and similarly *yongo* and *jinmyaku*, can define the effectiveness or failure of any Eastern-Western business activity, particularly diversity management. In that vein, they claim that under a *guanxi*, *yongo* and *jinmyaku* regime, cross-cultural communication and hence negotiation is an interactive process, where individuals only choose to:

*“do business with people they know, someone they can trust (xin) or who has established credibility and reputation (xinyong), or someone who they have guanxi with.”*(p. 236)

In conducting negotiations with individuals from diverse cultural backgrounds, it is essential for cross-cultural differences in values, rules and communication processes to be acknowledged. According to Salacuse (2003) an international deal is the result of effective negotiations, whereas global business is an ongoing negotiation in a dynamic environment. Business executives who seek effective international negotiations and business activities, cannot afford lacking intercultural communication competence, as this deficiency could bring the relationship to an end. Rodrigues (2001) emphasises the significance of cross-cultural awareness in the effectiveness of global negotiations, by discussing the impact of cultural factors on negotiating and communication styles.

Literature (Okoro, 2012) indicates that the etiquette of relations between the negotiating parties quite often vary and reflect the individual communication styles. Previous studies on

communication exhibit that this can either be implicit and indirect where the context conveys the bulk of the information (high-context communication), or direct where individuals expect explicit communication; known as low- context communication (Kittler, Rygl, & MacKinnon, 2011). Scholars advocate that high context communication is associated with collectivism, whereas low- context communication is mainly correlated with individualism (Kapoor, Hughes, Baldwin, & Blue, 2003). By and large, individuals' communication styles vary both across the cultures and within same cultural contexts (Smith, 2011).

In any given Eastern-Western business interface, the perception of the *guanxi*, *yongo* and *jinmyaku* by both negotiation parties can have an essential impact on the outcome of the negotiation process. Unlike Western countries, Chinese, Koreans and Japanese need more time to get to know the members of the negotiating team and collect the information they require. While being precise, they oppose being pressured. According to McKenna, Richardson, Singh, and Xu (2010) in order for Chinese, for example, to decide to take the next stage in the negotiation process, they need to feel that they can trust their Western counterparts. Traditionally influenced by Confucian values, they primarily prioritise collective rather than individual values, and hence the key point for Westerns to doing business with Eastern is to show respect, by acknowledging *guanxi* and trying to establish some form of it. It is possible that the initial interactions between the Eastern and Western counterparts have already formed a perception of the type and value of the *guanxi*, which will develop as the formal negotiation process goes along.

An absence of the necessary respect towards the value and importance of *guanxi*, will likely lead the Chinese counterparts to look for intermediaries, so as to have in place some form of *guanxi*. According to Härtel et al. (2010, p. 241):

*“It is unlikely for the Chinese counterpart to take part in the formal phases of business negotiation without a certain level of guanxi established with the other party. Once good guanxi is established, however, with quality ganqing and xingyong, it is likely to last for a very long time. That is why the Chinese counterpart can be more willing to overlook or tolerate any potential mishaps during the business negotiation if there is good guanxi.”*

The Western manager is predominantly more forceful, forthright, and better in conflict resolution. On the contrary, the Eastern business partners are generally less forceful, more restrained, and avoid conflict (Morris et al., 1998). These differences, can be unavoidably used as lenses of interpretation of events stirring in the cross-cultural communication interactions between the two parties attaching them either a positive or negative character. Ergo, as indicated by Nishii and Özbilgin (2007), attention must be paid to the distinctive disparities between individuals of various cultural backgrounds to safeguard that the established communication channels do not insult or compromise diverse individual values and beliefs.

In a not opposite end of the same continuum, *jinmyaku* requests that strangers hitherto had seek to form some form of relationship with the potential future business partner, even tenuous, before the two parties meet. This type of relationship can only be established through a mediator; a third party who has to be appreciated by both the negotiating parties (Alston, 1989).

Furthermore, individual and cross-cultural differences, as well as the context can play a vital role in the affective communication of participants in Eastern–Western. This is exceptionally significant, since misunderstandings could arise on condition that the one party fails to display respect and appreciation of the cultural unfavourably on those events. These events

will affect the way the negotiator manages the information disseminated throughout the negotiation process, as well as the relationship to be established with the other party. In Eastern- Western business negotiations, each party is confronted with a plethora of novel and diverse information and the interpretation of those events will determine the type information each party decides to focus in order to evaluate the data. Thereupon, a strategy will be adopted based merely on the positive or negative emotions that were triggered by the interpretation of those events. Consequently, the affective events will determine the positive or negative perception of the parties as regards the negotiation of the process, which defines, partially, the positive or negative effect on the negotiator's perception of the overall relationship.

On these grounds, the effectiveness of negotiation and hence diversity management in Eastern-Western business relationships relies merely on the perception of *guanxi*, *yongo* and *jinmyaku* by the Eastern counterpart. If the *guanxi*, *yongo* and *jinmyaku* between the counterparts is considered by the Eastern party as robust, then they will be more open to collaborate and develop the relationship further. If, however, the Eastern negotiator perceives the relationship in a negative way or considers that the Western counterpart is not paying the appropriate level of respect or commitment, that will have an immediate effect on the future and nature of the *guanxi*, *yongo* and *jinmyaku*. As aforementioned, the Eastern counterparts illustrate high conflict avoidance, and as such the solid form of judgment- driven actions in the business relationship can be negatively affected. For this reason, it is recommended that a greater level of *guanxi*, *yongo* and *jinmyaku* among the Eastern and Western parties discerned during the negotiation process can potentially have a strong stimulus on the constructive result of the more solid form of behaviour, the judgment- driven behaviour, which can result in an enhanced communication and diversity management outcome (Ma & Härtel, 2009).

## **The Eastern versus the Western model for managing diversity**

The preceding discussion makes evident that conventional single level conceptualisations of communication and diversity are insufficient in engaging in the multidimensional cultural issues arisen in an Eastern- Western cross-cultural meeting. In this paper we argue that in order for companies to establish an effective diversity management approach, it is vital to adopt a relational framework of managing diversity (Syed & Özbilgin, 2009). A multilevel theoretical model is beneficial as it will bridge the gap between micro-national, meso-organisational and macro-individual perceptions of diversity management that will eventually result in its effective promulgation. It is only through an integrated approach to diversity management that the organisation can benefit from the gains associated with the value of diversity and minimise the effects of potential pitfalls.

The paper has argued that within the Eastern societal and organisational contexts, governments and policy makers have been reluctant in adopting policies toward more inclusive tactic stimulating equal inclusion of underrepresented minority groups. However, in the past few years there has been evidence that the Korean, Chinese and Japanese governments are attempting to promote family friendly policies and gender equality practices to enhance assimilation. Indeed, this is prominent news for the future of diversity management in East Asia.

The paper has demonstrated that that the Japanese companies compared to the US companies, lagged in the equal representation and inclusion of underrepresented minority groups and women, as well as in the effective establishment of diversity practices and training. As the Article 4 of the Constitution of China evidences “all nationalities in the People’s Republic of China are equal” and “discrimination against and oppression of any nationality are prohibited” (Nations, 2001, p. 3). However, as suggested by MacGillivray et al. (2008, p. 66)

85.5 percent of the respondents participating a survey of job discrimination in ten major Chinese cities claimed the experience of job discrimination. Consequently, we could question the aptness of the legal framework and its power to transform the fundamental cultural values, beliefs and attitudes. Table I portrays the main characteristics of the Eastern approach in managing diversity. In addition, it presents some limitations compared to the Western approach.

Table I demonstrates that the effectiveness of negotiation and hence diversity management in Eastern-Western business relationships relies merely on the perception of *guanxi*, *yongo* and *jinmyaku* by the Eastern counterpart. If the *guanxi*, *yongo* and *jinmyaku* between the counterparts is considered by the Eastern party as robust, then they will be more open to collaborate and develop the relationship further. As Härtel et al. (2010, p. 225) aptly put it “*the effective management of the differences (between East and West) will play a key role in the development of effective working relationships between East and the West*”. Table I exemplifies that in the lack of a comprehensive diversity management framework that accommodates the role of the informal social relationships, Eastern organisations will not be able to pursue an integrated approach.

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The paper established that various organisations in the East do not consider diversity management as worthy of any priority, whereas equality and diversity related matters remain largely unchallenged in public discourse. Where exists, diversity management mechanisms emphasises on ensuring conflict avoidance rather than a value-added fundamental aspect of the organisational culture and strategy, as suggested in the corresponding western literature. Cooke and Saini (2009, p. 20) report that the cultural and political context for diversity

management is very different in the East compared to the West. While there is a legal emphasis on promoting the value of equality and inclusion, the majority of the organisations do not have any a formal HR policy or equal opportunities action plan to promote cultural diversity, inclusion and gender equality. The paper argues for a multidimensional approach to managing diversity that considers the influence of various macro-national, meso-organisational and micro-individual level factors that are valuable when transferring the conventional practices of diversity management in a non-Western cultural context. At the macro-national level, such an approach will be focused on establishing inclusive strategies towards the promotion of equality and inclusiveness. At the meso-organisational level, it will focus on cultivating inclusive organisational cultures by eliminating potential impediments in the recruitment and development of gender or otherwise diverse individuals. At the micro-individual level, it will consider the impact of the informal social networks and employees' perceptions of accessing them.

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## Tables

Table I- The Eastern model for managing diversity

Macro-national level	Meso-organisational level	Micro-individual level
<i>Characteristics</i>		
China: Labour law; gender discrimination (Nolan, 2008)	Some evidence of family-friendly policies	Perceptions of the state of <i>guanxi</i> , and similarly <i>yongo</i> and <i>wa</i> , can define the effectiveness or failure of any Eastern-Western business activity (Härtel, Ma and As-Saber, 2009)
Japan: Equal opportunity law; basic law for gender- equal society (Magoshi and Chang, 2009)		
South Korea: Equal Employment Act; Women's Development Act; Ministry of Gender Equality and Family	Performance-based motivational scheme (Magoshi and Chang, 2009)	
<i>Limitations</i>		
Belief for one-dimensional culture (McDonald, 2008)	Lack of effective establishment of diversity practices and training	The role of informal social relationships on effective diversity management remains ignored
Lack of a socially acceptable policy towards managing diversity (Cooke and Saini, 2010)	Lack of an integrated approach towards managing diversity	People lack awareness of diversity management practices
	Under-representation of women and ethnic minorities in upper echelons (OECD)	Intersecting identities remain unchallenged (Özbilgin and Syed, 2009)
<i>A relational approach</i>		
Inclusive national policies; elimination of cultural and gender discrimination	Inclusive organisational cultures, practices and strategies	Acknowledgement of the role of informal social networks within each culture