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**Management of Cultural Diversity and  
Employee retention**

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**ABSTRACT:**

This study has investigated how to manage cultural diversity and how it affects employee retention in a culturally varied workforce in Finland. Organizational cultural diversity has become more widely acknowledged as a challenge as well as an opportunity that affects communication and employee experiences. To investigate how cultural diversity is managed and how it impacts employee retention in a multicultural workplace is the purpose of this study. To gather information from supervisors and workers, it has used semi-structured interviews and focus groups. Purposive sampling was used to choose employees to derive data from various cultural backgrounds. Abductive analysis has been applied to systematically integrate theory and data.

The results of the study express how cultural diversity has affected employees' sense of belonging and organizational commitment. Employees expressed feelings of exclusion due to unfairness in job distribution, breaks, and disciplinary actions. This lowered morale and raised the chance of turnover. The study emphasizes that even while the business complies with collective bargaining agreements, there are still obstacles to creating an accepting and equal workplace for workers from all cultural backgrounds. When it is not actively controlled, it creates perceived differences and barriers to communication. Workplace links, perceived sacrifices, and organizational fit have all significantly impacted employees' embeddedness and subsequently their desire to remain with the company. It has been discovered that effective diversity management techniques, such as fair treatment and inclusive communication tactics, improve employee retention.

Findings shows that managing cultural diversity increases workers' psychological ties to the company and it improve retention . Organizations are encouraged to create organized diversity management procedures and improve leadership abilities in overseeing cultural groups. Further research is recommended to examine long-term shifts in employee retention in workplaces that are becoming more diverse.

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**KEYWORDS** cultural diversity, employee retention, job embeddedness, social identity theory, diversity management

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# 1 Introduction

This chapter will introduce the background of the study, the purpose of the research, the research question, and the objectives. Additionally, key concepts, limitations, and the structure of the thesis is outlined to derive understanding of the research framework.

## 1.1 Background of the Study

Diversity in the workplace has significantly increased as a result of firms becoming more global. Workforce diversity includes a variety of dimensions such as culture, ethnicity, gender, age, national origins, and religion (Miminoshvili & Černe, 2021). This study focuses specifically on cultural diversity and its impact on employee retention. Cultural diversity is the coexistence of people within an organization from various national, ethnic, and cultural backgrounds. Effective management of this diversity can foster creativity, innovation, and adaptability (Cox, 2002; Hofstede, 2010). In multicultural workplaces, people from various cultural and ethnic backgrounds are working together, offering both challenges and opportunities for companies' workforce diversity management (Miminoshvili & Černe, 2021).

There are both opportunities and challenges to the growing diversity in the workplace. According to Guillaume et al. (2017), an organization's overall performance, decision-making, and innovation can all be improved by managing cultural diversity effectively. Olusegun et al. (2018) explain that an increasing number of forward-thinking companies are realizing the strategic importance of workforce diversity for the achievement of strategic objectives. Further, they stated that companies need to be diverse to accept change, manage, and encourage innovations. The diversity of the population is increasing in many countries, and cultural diversity among employees has become more crucial and a current practice in organizations. Masanja & Mwita (2021) explain that employees from various cultural backgrounds with various skills and experience should work together to retain in the current global competitive environment. But there are drawbacks as well, particularly when it comes to encouraging staff retention and

engagement. Poorly managed diversity frequently results in high staff turnover, which can damage organizational cohesiveness and result in significant expenses for hiring, training, and lost institutional knowledge (Barak, 2016). Hofstede et al. (2010) explain that if cultural differences are not adequately addressed in multicultural workplaces, they can occasionally result in misunderstandings, disputes, and dissatisfaction. Conflicts resulting from cultural misconceptions may weaken team cohesion and employee morale, according to research by Jehn et al. (1999). Therefore, maintaining efficient diversity management procedures is crucial to improving employee retention and lowering turnover expenses.

Employee retention is an essential measure of organizational stability and success since diversity may have an impact on company performance. According to Roberson (2006), diversity management is vital when creating an environment where employees feel valued, which improves retention. Employee retention is higher for those who feel valued and included in the team (Guillaume et al., 2017). High turnover rates cause significant expenditures, such as those associated with hiring new employees, providing training, and losing organizational knowledge (Allen et al., 2010). According to recent studies, diversity, equity, and inclusion (DEI) programs are crucial for creating a sense of community and improving retention among a diverse workforce (Holt & Gershenson, 2017).

However, when cultural differences are not sufficiently managed, challenges arise. Managing cultural diversity is the process of setting practices into place that encourage an inclusive work environment and use diversity to help grow an organization. According to Hofstede et al. (2010), effective management practices include structured conflict resolution techniques, inclusive leadership, and diversity training. Employers who make such investments have a better chance of keeping a steady and driven workforce (Raewf & Mahmood, 2021). In order to manage cultural diversity effectively, businesses need to put in place policies that acknowledge and respect differences while encouraging integration (Barak, 2016).

To manage cultural diversity effectively, wide variety of different kinds of practices can be utilized. For example, a company can implement diversity trainings, which inform staff members about cultural differences to improve teamwork (Jehn et al., 1999). Further, companies can adopt inclusive leadership to push managers to use impartial and equitable decision-making procedures (Guillaume et al., 2017). Conflict resolution mechanisms are another strategy that set up mediation procedures to resolve cultural misunderstandings before they become more serious (Barak, 2016). Moreover, developing mentorship programs and employee resource groups that provide minority groups access to support networks might enhance their sense of belonging at work (Roberson, 2006).

Careful handling of diversity contributes significantly to the retention of employees as well as the development of an inclusive work environment. Onyango (2015) asserted that organizational productivity calculations must consider diversity in the workforce and employee retention as essential elements. According to Kinyanjui (2013), employee productivity and satisfaction may suffer from poorly managed diversity. Further, he stated that workers were expected to belong in a particular group. When diversity is managed well, workers feel appreciated and included, which improves job satisfaction and lowers turnover (Guillaume et al., 2017). Furthermore, mismanaged diversity may lead to exclusionary practices, which would negatively impact employee retention (Barak, 2016). According to Holt and Gershenson (2017), diversity, equality, and inclusion (DEI) initiatives have the capacity to improve retention and create a sense of belonging for people from a variety of cultural backgrounds. This study aims to investigate the distinctive management practices that affect employee retention in multicultural workplaces, with a focus on the Finnish labor market.

The Finnish labor market provides a unique setting for researching how managing cultural diversity affects employee retention. The number of immigrants into Finland has increased significantly for various reasons, especially after the year 2021. According to the statistics of Finnish immigration services, the number of immigrations is almost doubled in the year 2023, compared to the year 2020. These migrations are from more

than 120 other countries, according to the statistics (Immigration Statistics 2023: The Effects of International Conflicts and of the Economic Downturn on Immigration to Finland | Maahanmuuttovirasto, n.d.). Examining the management of a culturally diverse workforce in the Finnish labor market will provide insights into best practices to enhance employee retention.

## **1.2 Research question and objectives**

The aim of this research is to understand whether and how management of cultural diversity impacts employee retention in Finland. To fulfill the main research aim of this thesis, the research questions for this study are:

### **How does management of cultural diversity impact employee retention in Finland?**

The research topic will be addressed with research objectives in order to investigate the management of cultural diversity on employee retention. The purpose and direction of the article are supported by the following objectives:

1. To examine whether and how cultural diversity impacts workplaces.
2. To identify whether and how increased cultural diversity is taken into account in the management.
3. To examine whether and how this is connected with employee retention among immigrants?

## **1.3 Definition of key concepts**

### **Cultural Diversity**

Presence of people from different cultural backgrounds in an organization is referred to as cultural diversity. It encompasses the many values, ideas, and conventions that employees bring with them, as well as variations in nationality, race, language, traditions, and social practices (Hofstede, 2010; Miminoshvili & Černe, 2021).

### Management of Cultural Diversity

Management of cultural diversity is the management of individual employees' cultural differences to enhance organizational performance (Ashikali & Groeneveld, 2015).

### Retention

Employee retention is the ability of a company to keep a steady workforce over time. The extent to which workers stay with the company is a sign of an inclusive workplace that encourages long-term dedication, loyalty, and job satisfaction (Allen et al., 2010; Guillaume et al., 2017).

## **1.4 Structure of the study**

The first chapter presents the introduction of the thesis. It explores the background of the study and the purpose of the study to derive a better understanding of the theses. It also presented the research question and the objectives. It is aimed to give a reader an understanding about the research topic and the purpose of the research.

The second chapter introduces the literature of the research. The literature review chapter presents the theories, models, and practices related to cultural diversity, management of cultural diversity and employee retention.

Methodologies that are used for the research are discussed in the third chapter. This chapter will discuss the research approach, data collection, sample selection, analysis of data and reliability and validity of the research. The fourth chapter will discuss the research findings and results received from data collection. The fifth chapter will discuss the key findings and present conclusions, practical implications, limitations of the research, and suggestions for future research. A list of references will be included as the final part of the research.

## **2 Literature Review**

This chapter aims to build a theoretical foundation for the study. It consists of sections on cultural diversity, management of cultural diversity, employee retention, and management of cultural diversity and employee retention. The first section of the literature will define cultural diversity and its positive impacts and challenges in the workplace. The second part will explain the theoretical framework for the management of cultural diversity. It represents relevant theories and models that guide how organizations can manage culturally diverse workforce. In this context, Social Identity Theory is presented as a crucial conceptual framework for explaining cultural inclusion and interaction between groups. The third section addresses theoretical viewpoints on employee retention providing the Job Embeddedness Model as the main framework. Lastly, management of cultural diversity and employee retention will be discussed.

### **2.1 Cultural diversity**

Saxena (2014) explains the word "workforce diversity" as a range of characteristics that employees have in common and differ from one another, including age, sexual orientation, color, religion, gender, physical abilities, culture, ethnicity, race, and disabilities. When workers in a company come from different cultural, ethnic, linguistic, and social backgrounds, this is referred to as cultural diversity in the workplace (Cox & Blake, 1991). Cultural diversity impacts work practices, communication styles, attitudes, beliefs, and customs created by employees' various cultural identities (Hofstede, 2010).

According to Schein (2010), culture is a dynamic and coercive background framework that influences our interactions and behaviors. Culture teaches us how to see, feel, and behave in a community, organization, or profession; it implies stability and rigidity. Culture is the cornerstone of our social order; rules, and it provides us our language (Schein, 2010). A workplace is a place where individuals from various cultural

backgrounds meet to work together and support the company's goals and values (Morris, 2023).

### **2.1.1 The Positive Impacts of Cultural Diversity in the Workplace**

According to Purdue Global (2012), when people from different cultural origins, languages, and social conventions are included in the workplace, it has a positive impact on creativity and problem-solving skills. Mazur (2010) explains that when attracting and retaining the best talent, it is necessary for the company to accept multiculturalism. When it comes to the global market, a diverse cultural workforce supports serving diverse external clients (Thomas & Ely, 1996). A culturally diverse workforce is best also when problem-solving and holds more organizational flexibility, which is able to adapt to the changes (Barak, 2016). According to Roberson (2006), diverse groups are more likely to be taken into account a variety of perspectives, which results in more informed decisions. Further, workers are more likely to feel appreciated and dedicated to their companies in inclusive environments that celebrate diversity, which lowers turnover (Guillaume et al., 2017).

Further, Barak (2005) stated that it is necessary to have a culturally diverse workforce to improve interpersonal skills, derive knowledge about other cultures, and improve the connection among employees. It helps organizations to derive more innovative ideas, effective ways for working and behaving, improved problem-solving, access to a vast talent pool, enhanced profitability, learning, and promoting workplace inclusion. Barney (1991) stated that an organization's distinct resources, such as its human capital, are the source of its competitive advantage. A staff that is culturally diverse is regarded as a great asset that can improve creativity, adaptation, and problem-solving. Raewf and Mahmood (2021) explain that a culturally diverse workforce helps for efficient implementations while encouraging employees to use their maximum capacity. According to Stahl et al. (2009), research has repeatedly shown that culturally diverse

teams often outperform homogenous teams in tasks requiring creativity, flexibility, and complex problem-solving.

Moreover, cultural variety improves the capacity of companies to engage with an international customer base (Cox & Blake, 1991). Barney (1991) explains further that cultural diversity helps to access diverse viewpoints, abilities, and experiences, which helps businesses efficiently meet the demands of their clients and international markets. Businesses that value diversity are better able to comprehend the requirements and preferences of clients from various cultural backgrounds, which enables them to customize their goods and services appropriately. Raewf and Mahmood (2021) explain that cultural diversity helps to represent specific sets of assembled business strategy requirements. In today's linked world, where companies frequently need to serve a variety of markets and compete in global settings, this global reach is becoming more and more crucial (Cox & Blake, 1991).

### **2.1.2 Challenges related with Cultural Diversity**

When the workforce is culturally diverse, challenges such as communication barriers, opposition to change, tension and conflicts, stereotyping, and bias arise (Jaganya et al., 2024). Gudykunst (2004) stated that communication is one of the most pressing issues in workplaces with diverse populations. Differences in language and communication styles can make it difficult for coworkers to engage and understand one another. While directness is valued in some cultures, indirect communication is encouraged in others. As per Ting-Toomey and Chung (2021), misinterpretations cause conflict, a reduction in productivity, and frustration.

When companies are unable to manage cultural diversity adequately, it can occasionally result in interpersonal difficulties (Inegbedion et al., 2020). There may be miscommunications, or even open conflict can arise as a result of employees from different backgrounds having differing expectations about how they should be treated or how to approach work. For example, employees from high-power-distance cultures may have conflict with those from low-power-distance cultures due to cultural

variations in how they view authority or hierarchy (Hofstede et al., 2010). Unconscious prejudice is another issue associated with cultural diversity that can result in stereotyping or discriminatory treatment. When the leaders are biased based on race, ethnicity, gender, or other factors, it can have an impact on decision-making in areas like employment, promotion, and resource allocation (Devine, 1989).

According to Jehn et al. (1999), a culturally diverse workforce can be a source of disadvantages such as disagreements between groups, negative dynamics, cultural clashes, and dysfunctional conflicts. Further, diversity programs may encounter resistance from certain individuals who view them as a challenge to their personal values or old workplace practices (Barak, 2016). Culturally diverse workers may hold divergent opinions about conflict resolution, cooperation, and decision-making, which may hinder their capacity to collaborate well (Jehn & Mannix, 2001).

Furthermore, employee productivity and job satisfaction can decrease if members of minority groups experience feeling excluded or alone (Kite & Whitley, 2016). When conflict situations arise, the solutions are most of the time favorable to the majority of members. Therefore, higher turnover and absenteeism are identified as rapidly growing problems in a culturally diverse workforce (Mazur, 20c10). Raewf and Mahmood (2021) discussed that when adopting a culturally diverse workforce, challenges such as refusal to change and employment policies on developing diversity are also needs to consider.

## **2.2 Management of Cultural diversity**

### **2.2.1 Theories on management of cultural diversity**

A strong theoretical foundation is necessary to comprehend the effects of cultural diversity in the workplace and how it can be handled successfully. Many theories and models have been created to help organizations manage diversity to create an inclusive atmosphere. The present study applies Social Identity theory.

Social identity theory was introduced by Tajfel & Turner (1979) to provide an integrated theoretical foundation for social identity. According to the Social Identity Theory (SIT), people organize themselves and other people into social groups (for example, according to gender, culture, or ethnicity) in order to feel more confident and like they belong (Tajfel & Turner, 1979). SIT demonstrates how social identity is an effective framework for understanding as well as clarifying the concept of belonging. Employees may identify with particular cultural or ethnic groups in a multicultural workplace, which may affect how they interact with others and how inclusive they feel. Kite et al. (2022) explore that employees may create subgroups in different workplaces according to cultural, ethnic, or other demographic characteristics, which could result in prejudice, stereotyping, and disputes between groups. SIT has three stages, which are social categorization, social comparison and social identification (See Figure 1). This explains how in-group and out-group dynamics can emerge in diverse teams, influencing inclusion, communication, and teamwork.

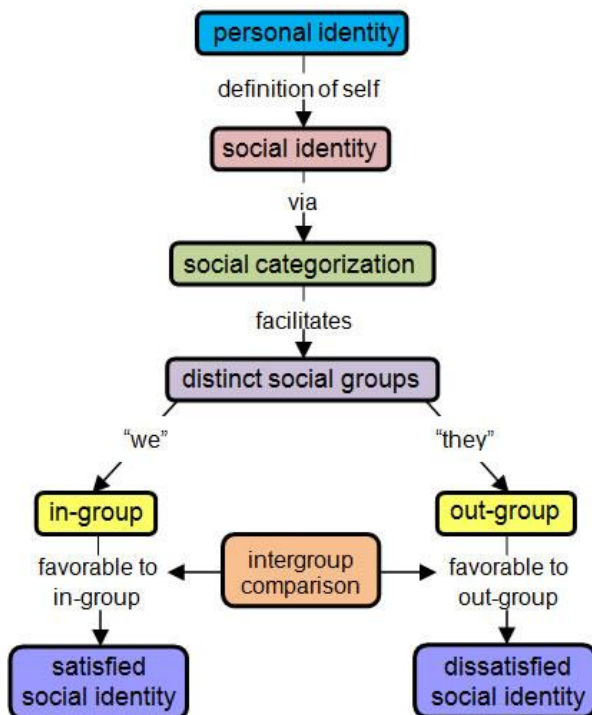


Figure 1 Social Identity Theory (Adopted from Tajfel & Turner, 1979)

This Figure illustrates how people first classify others and themselves into distinct social groups before taking on the identity of their group. It also demonstrates how people assess their own group in respect to others through the process of social comparison. It concentrated on the relationship between people's views of socially ranked intergroup contacts and their efforts to develop a good social identity. This interaction has an impact on the expression of intergroup behavior. Social categorization is the process through which people start to perceive themselves as typical members of a group. They perceive themselves as representative member of that social category rather than as separate individuals with their own characteristics. When people identify themselves as belonging to a certain group, they adopt the characteristics of that group. In other words, people start to identify with the traits of the group and use its norms, beliefs, and actions (Hogg et al., 2012).

According to Hogg et al. (2012), employees that divide themselves into smaller groups have a tendency to prefer their own group, which might impede information exchange and cross-cultural cooperation. Haslam et al. (2008) also showed how strong subgroup identities might hinder collaboration and trust across various cultural groups, which could result in communication breakdowns in diverse workplaces. Homan et al. (2005) found that when companies develop a superordinate identity, the negative effects of social categorization, such as conflict and decreased creativity, can be minimized. Management can reduce intergroup prejudices and improve cooperation by encouraging staff members to perceive themselves as a part of a larger, more cohesive company. Shore et al. (2010) explain that employees from a variety of backgrounds can feel included and at home when support networks like affinity groups or employee resource groups are established. Leadership can also use these networks as a resource to learn about the demands and difficulties faced by various groups inside the company (Shore et al., 2010).

After classifying and identifying with a group, people evaluate their group against others. This process is known as social comparison (Tajfel & Turner, 1979). This comparison helps people in assessing the strengths as well as weaknesses of their group. When members have a more positive opinion of their own group, this assessment frequently results in in-group bias. Because other groups are perceived as less valued or capable, it can also lead to out-group prejudice (Tajfel & Turner, 1979; Hogg, 2001). According to Haslam (2008), employees' dedication, sense of belonging, and morale may suffer if they believe that their cultural group is routinely evaluated worse than others in the company. On the other hand, management could mitigate the negative effects of these comparisons by promoting a common identity that highlights goals and values. When diverse perspectives are valued in decision-making, innovation, and problem-solving, and employees are encouraged to be themselves (Thomas & Ely, 1996). According to Hogg et al. (2012), leaders that foster an equivalent identity encourage staff members to view themselves as members of a broader, cohesive organization rather than just as members of specific subgroups, which decreases intergroup prejudices.

Social identification shows that people are not just objects, but they are belongings to social groups. These common traits become a part of their self-definition as they absorb the norms and values of the group (Tajfel & Turner, 1979; Turner et al., 1987). Because of this social identification process, people begin acting in ways that are consistent with the typical traits of their group. According to Haslam et al. (2008), group cohesiveness is strengthened as members embrace these common qualities and converge in behavior. Furthermore, the group's defining characteristics might become even more recognizable through regular social interaction and comparison, creating a strong, shared identity (Reicher, 1984). Tajfel initiated these groups into two conceptual classifications. Those groups are ingroup (us) and outgroup (them) based on the sense of belongingness. Members in one's own group are considered as in-group and members other than their own group are known as out-group. Employees behave differently towards the in-group and out-group members.

Adams' Equity Theory (1963) also interpret the same concept and further stated that when certain groups in organizations feel excluded or devalued, concerns of unfairness may surface. Among underrepresented groups, perceived unfairness can result in low morale, increased turnover rates, and discontent. The out-group concept of the SIT has been presented under Allport's 1954 Contact Hypothesis also. When intergroup contact occurs under the right circumstances, it minimizes prejudice and promotes positive relationships. It is possible to eliminate prejudices and foster respect between coworkers from different origins by facilitating meaningful interactions. Workplace conflicts can be decreased and intergroup understanding increased through organized programs including cooperative projects, team-building exercises, and cross-cultural mentorship (Allport, 1954).

Tajfel & Turner (1979) further explain that organizations must promote an inclusive culture that promotes cross-cultural interaction and a sense of shared group identity in order to combat in-group bias and out-group discrimination. Team-building activities, diversity education, and inclusive leadership techniques can help achieve this. (Gaertner & Dovidio, 2000). Furthermore, organizations may reduce intergroup conflict and foster a more inclusive workplace by focusing on shared values and objectives. Employers who adopt policies that encourage cross-cultural cooperation see a decline in conflicts at work and an increase in staff retention (Gaertner & Dovidio, 2000). Leaders need to set an example of inclusivity to make sure that every worker feels appreciated and valued. According to Nishii (2012), inclusive leadership also entails addressing any biases or discriminatory practices that might occur in the workplace and being conscious of power relations. To create a diverse and inclusive workplace, it is imperative to guarantee equal opportunities in hiring, training, and career promotion. Addressing any obstacles to equal participation, whether they arise from racial or cultural issues, is part of this. Transparent hiring and promotion procedures guarantee equitable opportunities for success for workers from all backgrounds and help to eliminate biases (Dobbin & Kalev, 2018).

Based on SIT, fostering a common group identity is essential to lowering intergroup conflict (Tajfel & Turner, 1979). Effective communication practices can mitigate the conflicts arising among culturally diverse groups (Kinyanjui, 2013). Activities that adapt to cultural differences include team building, effective communication, and time-varying analysis (Raewf and Mahmood, 2021). In line with this, managers can learn how the best communication can be received from culturally distinguishing groups, train international groups early and often, and provide training for native-borns (Ang & Inkpen, 2008). Moreover, assigning mentors to minority groups, practicing open-door policies, and engaging in company-wide communication help to increase the communication among groups (Friedman, 2004). Panoch (2001) suggests that it will be the responsibility of management to inform and educate their diverse workforce and to quietly communicate the value of one interrelated workplace. Open communication builds an engaging and highly motivating environment; it is the most crucial component in keeping any employee on board (Panoch., 2001). Further, employees in a company with excellent levels of communication value each other more, regardless of their place in the hierarchy. Furthermore, respect increases employees' sense of belonging and loyalty to the company, both of which increase output.

Organizations must be adaptable in meeting the requirements of various employee groups in order to handle cultural diversity efficiently (Shore et al., 2017). This could entail developing regulations that take into account the needs of various ethnic groups, providing language assistance, or modifying work hours to meet religious festivals. Further, Shore et al. (2017b) express that embracing different work styles and figuring out how to strike a balance between the needs of individual contributions and teamwork are examples of flexibility. While acknowledging the aforementioned, Ferdman et al. (2012b) highlighted that assisting staff members in gaining a better awareness of cultural differences is essential. Techniques such as frequent training sessions emphasizing unconscious bias, cultural competency, and effective communication play a vital role in awareness. These initiatives ought to be created to increase understanding of the importance of diversity and give staff members useful tools for negotiating cross-cultural relationships (Ferdman et al., 2012b).

Further, when employees receive respect from the organization and fairness the social identity get strong. Social comparison plays a major role here, as groups expected the fairness and respect that the other groups received (Tajfel & Turner, 1979). As stated by Kite et al. (2022), to maximize the potential of their diverse human capital, organizations need to manage it strategically. This entails eliminating unconscious prejudices, granting equitable chances, and utilizing diversity to promote creativity and organizational expansion. Similarly, Adams' Equity Theory (1963) explains that workers assess workplace fairness by balancing the proportion of their inputs (such as effort and abilities) to their outputs (such as rewards and recognition). Further, Brewer (2000) explains that establishing clear hiring, promotion, and pay rules is essential for organizations to guarantee fair treatment. Moreover, a sense of justice and inclusion may also be promoted by acknowledging and applauding the achievements of others.

Furthermore, the significance of fairness in organizational interactions, procedures, and results is highlighted by Greenberg (1987) under the organizational justice theory. This explains why in diverse workplaces; minority groups may be disproportionately affected by feelings of unfairness. Building trust and dedication in a diverse workforce depends on how employees view distributive, procedural, and interactional fairness. To improve employee retention, organizations should provide equitable decision-making procedures and equal access to opportunities (Greenberg, 1987). Similarly, Thomas and Ely (1996) explain discrimination and fairness by highlighting equal treatment for everyone while eliminating discrimination.

Similarly, when managing a diverse workforce, trends in cultural diversity such as an increase in minority workers, discrimination, increasing sensitivity, and an increase in diversity training are to be addressed (Barak, 2016). Diversity management practices such as cross-cultural training and team-building exercises to improve cooperation, communication, and information exchange help to increase outgroup understanding (Yadav and Lenka, 2020). As per Grossmeier et al. (2015), before the organization experiences sustained financial success and stable competition, a healthy work environment needs to be maintained. They further suggest that workplaces must

educate themselves about different cultures. Organizations have not always been the most tolerant of diversity. Hundschell et al. (2021) suggest that the modern workforce embraces cultural diversity and works with it to create a more creative work environment. One of the first things anyone can do to become culturally aware is to know themselves. Someone needs to know how and why they want to be treated in a certain way (Hundschell et al., 2021). Research indicates that companies that implement inclusive diversity management practices do better financially, engage employees, and retain employees than their colleagues (Cox, 2002). On the other hand, poorly managed diversity frequently results in higher employee turnover, lower productivity, and harm to the company brand (Barak, 2016).

Chapman et al. (2023) researched the relationship between racial and gender diversity in the workforce and collective turnover, with an emphasis on the moderating role of diversity charters. Additionally, they clarified how racial and gender diversity in the workforce may result in social categorization, which can have negative effects. Employees may become less attached, have fewer social connections, and experience group prejudices as a result, which might increase turnover (Chapman et al., 2023). According to Guizani et al. (2023), there is a higher collective turnover rate in organizations with greater diversity, whether it be in terms of gender or race, than in those with less diversity.

### **2.3 Employee retention**

Employee retention refers to the ability of a company to hold onto its workforce over time, indicating its success in retaining key personnel. According to Hausknecht et al. (2009), retention occurs when businesses purposefully work to create a welcoming atmosphere where staff members feel appreciated, engaged, and inspired to stick around. Further, Kossivi et al. (2016) stated that to maintain a competitive edge, companies must not only draw in the best talent but also keep them on staff for an extended period. Most job groups expected to see high retention rates to avoid

additional costs of turnover (Phillips & Connell, 2004b). Further, the opposite of retention, or employee turnover, is a major business phenomenon and is important to businesses, individuals, and society. Therefore, the companies need to expend significantly on recruiting, training, socialization, disruption, and other indirect costs as a result of failing to maintain employee retention (*Al-Suraihi et al., 2021*). Further, acquiring and keeping employees is a major issue, and that managing retention is difficult for many firms (Mazlan & Jambulingam, 2023).

### **2.3.1 Theoretical frameworks for employee retention**

As discussed above, employee retention plays an important role in organizations. There are many models and theories on retention that have developed over time. In the presents study, the job embeddedness model is applied and thus, it will be explained next.

The Job Embeddedness Model introduced by Mitchell et al. (2001) includes elements such as fit, links, and sacrifice that affect employee retention. Fit is the degree to which workers believe that their goals, values, and abilities match their work environment. Organizational culture and diversity management strategies are important factors in the element of fit. Further, when a company attract, engage, develop, and retain top performers using work processes, activities, strategies, practices, and systems that are geared toward developing and retaining a superior workforce (Yang & Konrad, 2011). It is all about having the right people in the right positions at the right times, doing the right things, and in the right locations enhancing the fit within the organization. Barnard, (1938) under the organizational equilibrium theory has discussed similar idea. According to this concept, a person will stay with a company as long as they believe they are contributing to the company and the company is contributing to their lives.

Positive workplace culture alignment encourages employees to stay by creating a sense of belonging. Further, the sense of belongingness has been discussed in Tajfel and Turner's (1979) social identity and realistic conflict theory (RCT), which is that every

person needs to feel like they belong to a specific group in society, and most people act in their own best interests.

Another aspect of this model, Links, focuses on the connections between employees inside the company. Olusegun et al. (2018b) suggest that regular communication between employees and managers as well as resolving employees' issues improves relational connections and employee retention. Open and inclusive communication techniques promote collaboration and trust, which further integrate staff members into the company (Nnadi & Chinedu, 2019). Supporting this, Ellis and Sonnenfeld's (1994) explore that employees often benefit from the discussions about cultural differences and efforts to eliminate negative beliefs, which may improve their morale and communication. Those initiatives often increased productivity and employee retention as they developed the sense of belonging. Communication has been accepted as the "lifeblood of an organization" and plays a crucial role in cultural diversity management by building trust and teamwork between team members (Olusegun et al., 2018). Additionally, Social Exchange Theory (Blau, 1964) supports this by emphasizing that the relationships between employers and employees are mutual (Blau, 1964). That is, when employees experience meaningful communication and support, they are more loyal and stay in the company.

Additionally, the Hom et al. (2012) classify employees into two groups as eager or hesitant stayers and leavers. Reluctant stayers, for instance, may feel stuck in their positions because they have few other options, which frequently leads to decreased engagement and output. This is consistent with the Job Embeddedness Theory, as employees with weak links to the organization may remain but feel disengaged. Moreover, Voisin et al. (2014) explain that enthusiastic stayers are essential to diversity management initiatives because they exhibit a dedicated attitude consistent with company ideals.

Finally, the sacrifice dimension considers the possible expenses of quitting a company. Benefits and favorable compensation are significant barriers to employee turnover

(Ruslaini et al., 2024). When the companies offer professional development opportunities, such as training and mentorship, they improve employees' skill sets and sense of personal improvement, which helps to lower their inclination to leave (Kossivi et al., 2016). Herzberg's Two-Factor Theory (1959) supports this dimension by distinguishing between motivational and hygienic factors. Providing both ensures that employees feel valued and less inclined to leave. Pay and benefits, quality supervision, company policies, and physical working conditions stand out as crucial hygienic considerations. According to Ghapanchi and Aurum (2010) and Hredoy (2023), offering monetary incentives and perks meets the fundamental requirements of workers and keeps them happy. According to Hredoy (2023), work-life balance, which is attained by flexible scheduling and a healthy work environment, guarantees that employees stay content and involved

Motivational factors include promotional opportunities, opportunities for personal growth, achievements, and recognition that encourage employees to remain within the company. Workers are more likely to stick with their company if they believe there are clear opportunities for advancement and career development (Ruslaini et al., 2024). Programs that promote discussion about cultural differences might further increase employee morale and productivity by addressing their needs for acceptance and belonging (Ellis & Sonnenfeld, 1994). The same has been discussed in the Human Capital Theory, which highlights the need to allocate funds to employees' education, training, and development to improve their abilities and productivity (Becker, 1964). Both theories emphasize the value exchange between the firm and its employees as well as investments in human resources. Employees retention can be strengthened by showing organizational support through welfare programs that support to the personal and professional needs (Olusegun et al., 2018b).

## **2.4 Management of cultural diversity and employee retention**

Cultural diversity has a significant impact on staff retention and workplace dynamics (Bush, n.d.). When workplace demographics like tenure, ethnicity, and functional diversity are recognized and successfully incorporated into workplace procedures, they can support inclusion and alignment within the company (Olusegun et al., 2018). When businesses acknowledge and appreciate these demographic variations, they foster an inclusive atmosphere where people from all backgrounds feel valued and a part of the company culture. Based on Social Identity Theory (SIT), people classify themselves in to group identities and it influences their sense of belonging at work. Organizational commitment, employee happiness, and a sense of belonging are all more likely to be fostered in workplaces that value and manage diversity well. On the other hand, poorly managed diversity can lead to disengagement, cultural conflicts, and exclusion, which can cause workers to quit (Shore et al., 2010). Dissatisfaction resulting from an imbalance between organizational practices and cultural ideals might have an adverse effect on retention (Hofstede, 2010). For instance, Wilczewski et al. (2017) explain that workers from individualist cultures could prioritize on independence and personal success, whereas those from collectivist cultures might encourage cooperation and community-oriented behaviors. If these variations are not taken into account, turnover may increase and engagement may decline.

As per Job Embeddedness Theory's (JET) fit, links and sacrifice elements, employees are more likely to stick around when they identify with an inclusive company culture. Management actions that address diversity-related issues are crucial to establishing an equal workplace, enhancing retention and a feeling of shared identity (Nnadi and Chinedu, 2019). Nnadi and Chinedu (2019) have studied the effect of diversity management practices on employee retention and have emphasized performance management, leadership initiative, communication, and sharing responsibility as effective diversity management techniques that influence employee retention. For an instance, the Nigeria Deposit Insurance Corporation has initiated the workforce diversity initiatives that have been chosen and have a notable and favorable impact on employee

retention. This creates employees fit for the culture and good links to express their problems. This ties employees to the company, expressing the element of sacrifice. As explained by Li et al. (2020), maintaining diversity management practices will help the management govern the diversity of the workforce in the area, including variances in employee attitudes, personalities, and values, as well as differences in cultural background and tenure within the business (Li et al., 2020).

Ellis and Sonnenfeld (1994) suggest, programs that encourage conversations on cultural awareness increase staff morale and productivity, leading to improved retention rates. Retention variables include pay and perks, chances for training, equitable treatment, and company culture contribute to the embeddness of employees (Ghapanchi and Aurum, 2010). Further, Hredoy (2023) explains that elements like competitive salary, chances for professional advancement, and a nice work atmosphere are essential for retaining employees. Finnish businesses prioritize work-life balance, flexible scheduling, and staff development that foster a strong Fit between employees and organizations ensuring superior retention rates. Ghapanchi and Aurum (2010) indicate that by addressing limited opportunities for growth, ensure higher retention and morale indicating "sacrifice" under JET.

Furthermore, workers are more likely to stay in environments where their contributions are valued and encouraged. It enhanced innovation and problem-solving where companies can derive competitive advantages. Research suggests that companies that embrace diversity are better equipped to tackle complex challenges, which enhances employee satisfaction and reduces turnover (Hofhuis et al., 2013). Companies with inclusive cultures have a 22% lower turnover rate compared to less inclusive workplaces, according to Winters (2013). As per Bassett-Jones (2005), culturally diverse firms have the capacity to draw in and keep talent from a worldwide workforce, hence expanding the pool of abilities and expertise available. This helps to access to a broader talent pool.

## 2.5 Theoretical framework of the Study

This thesis aims to increase our understanding of how management of cultural diversity impacts employee retention. The theoretical framework provides an understanding of previous literature relating to cultural diversity, management of cultural diversity and employee retention. Cultural diversity appears when employees from various demographic and cultural backgrounds work together in a company. Diversity may foster creativity, innovation, and problem-solving, but it can also result in problems including social categorization, unconscious prejudices, and communication hurdles (Saxena, 2014; Schein, 2010). A strong feeling of belonging can be strengthened for employees by effective diversity management, which guarantees equitable treatment and inclusion (Kite et al., 2022).

Therefore, Tajfel and Turner's (1979) Social Identity Theory (SIT) is applied as the theoretical base to study management of diversity. SIT describes that people identify themselves by the social groupings they belong to. Employees classify others and themselves into in-groups and out-groups at work, which affects their sense of belonging. By encouraging inclusiveness and equity and bolstering workers' organizational identification and dedication, effective diversity management helps lessen social categorization. Employee retention is higher when they feel appreciated and part of the team (Tajfel and Turner's, 1979). In order to create a shared identity, fair treatment is essential. This theory is supported by Adams' Equity Theory (1963) and Greenberg's Organizational Justice Theory (1987), which highlight how open and equitable HR practices like fair hiring, promotions, and rewards build employee loyalty and trust.

Three important aspects are highlighted by the Job Embeddedness Model (Mitchell et al., 2001), which explains why employees remain with a company. Those are fit, links and sacrifice. Fit is the degree to which an employee's values, objectives, and company culture line up. Fit is impacted by cultural diversity management as inclusive workplaces foster a sense of belonging and common purpose. Links is the relationships that staff

members form within the company. Workplace connections are strengthened by diversity programs like open communication and mentoring, which increases retention. Finally, Sacrifice is supposed cost associated with quitting a company. Employees are less likely to quit when they are given possibilities for growth, rewards, and a positive work atmosphere (Mitchell et al., 2001).

SIT and the Job Embeddedness Model are in line because workers who form social bonds and experience a good cultural fit are more likely to form a sense of belonging and stay engaged. Conversely, ineffective diversity management may weaken these connections and raise turnover. Employers who include diversity management into their HR initiatives might increase employee retention. Employee engagement to the company is strengthened, social identity is improved, and work embeddedness is increased through practices such as inclusive leadership, cross-cultural training, and open communication. Businesses that successfully use these tactics see improvements in overall performance and a decrease in employee turnover (Shore et al., 2010; Hofhuis et al., 2013).

This theoretical framework emphasizes how the Job Embeddedness Theory (JET) and Social Identity Theory (SIT) offer comprehensive understanding of the connection between employee retention and management of cultural diversity. SIT describes how inclusive diversity management lowers intergroup prejudices and promotes workplace cohesiveness by helping workers build a feeling of belonging and organizational identity. Conversely, JET strengthens this bond by highlighting the role that fit, connections, and sacrifice contribute in an employee's decision to remain with the company. Together, these beliefs imply that workers are more likely to stay engaged and dedicated when companies actively support fairness, inclusivity, and meaningful working relationships.

Thus, theoretical framework of this study provides a thorough foundation for investigating the ways in which management of cultural diversity can affect employee retention, especially in distinctive and changing labour markets in Finland.

### **3 Research Methodology**

This chapter details the methodology utilized to investigate the management of cultural diversity and employee retention. It describes the research methodology, data collection procedures, sampling plan, and data analysis methods utilized to examine the connection between employee retention and management of cultural diversity. It also discusses the steps taken to improve the validity and reliability of the study as well as the limitations of the selected approach.

#### **3.1 Research Approach**

A qualitative research approach will be used to examine the management of cultural diversity and employee retention in Finland. According to Creswell & Creswell (2017), qualitative research is an activity that places the observer in the real world. The nature of the qualitative research helps to derive more in-depth information. Employee retention and management of cultural diversity are broad ideas that take into account a range of corporate characteristics, personal experiences, and cultural backgrounds. Thus, applying a qualitative approach helps to understand deeper of these complex and interrelated topics. Therefore, using qualitative research methods more accurate and interesting data can be collected.

Qualitative research encompasses a variety of methods and materials. Creswell & Creswell (2017), stated that in qualitative research methods like memos, audio, field notes, interviews, and photos are used. The study's participants and locations are taken into consideration while collecting data in natural environments. The findings are analyzed using deductive and inductive methods, as well as recognized patterns or themes (Creswell & Creswell, 2017).

Qualitative research has several benefits, such as being flexible and natural, not requiring a large study sample, allowing for meeting respondents, promoting discussion among participants, collecting and interpreting non-verbal cues, and providing an opportunity to ask questions and learn more about the phenomena being studied

(Oranga & Matere, 2023). Even with these benefits, there are drawbacks to the theme method. For example, themes may be challenging to identify if the codes are incorrectly identified.

## **3.2 Data Collection**

Semi-structured interviews and focus groups are the two data collection techniques used in this study to examine the effect of management of cultural diversity on employee retention. These qualitative methods were selected due to their capacity to record in-depth insights. Qualitative methods help participants to express their thoughts, feelings, and experiences in great detail while giving the researcher the freedom to delve deeper into developing themes. This method is in line with Clark et al.,'s (2021) and Creswell and Poth's (2017) suggestions for qualitative research in organizational contexts.

Research questions will be designed as open-ended, which provides flexibility to respond and touch on unplanned areas. The qualitative research paradigm is not always linear, like the quantitative design, because of the open-ended nature of the research topics under consideration. Consequently, one of its main advantages is the qualitative research support to describe human behavior patterns and processes that are difficult to quantify (Moser & Korstjens, 2017).

### **3.2.1 Semi-structured Interviews**

A key component of this study's data-gathering approach is the use of semi-structured interviews. That provides a thorough examination of individual viewpoints on cultural diversity and its management effects on employee retention. This approach ensures a rich data collection process by maintaining a balance between the use of structured questions and the freedom to investigate emergent themes (Kallio et al., 2016). The

interview guide is based on objectives and theoretical framework of the study. Interviews will be done using face-to-face interviews and telephone interviews.

The flexibility and depth of semi-structured interviews make them an effective method for gathering data in qualitative research. They support researchers to investigate participants' viewpoints, feelings, and experiences in a methodical but flexible way (Kallio et al., 2016). The interviewer can modify questions in response to the participant's answers, which can produce more detailed and informative data. Participants are encouraged to express themselves freely and honestly because they create a conversational environment. This is important for researching cultural diversity because it allows the researcher to record personal stories and subtle cultural nuances that may be missed in quantitative surveys (Clark et al., 2021). According to Creswell and Poth (2017), this approach guarantees that the research stays attached to its goals while concentrating on key themes and permitting unexpected insights.

Semi-structured interviews have several drawbacks despite their benefits, including the method's time and resource requirements (Gill et al., 2008). Furthermore, because the interviews are semi-structured, the interviewer has considerable control over the conversation's flow, which may unintentionally affect participants' answers (Kallio et al., 2016). The results may not accurately reflect larger populations because this approach concentrates on obtaining in-depth information from a smaller, purposefully chosen sample (Etikan et al., 2016). Lastly, social desirability bias in semi-structured interviews may affect participant responses. When people give answers, they believe to be socially acceptable rather than ones that reflect their actual beliefs (Clark et al., 2021)

### **3.2.2 Focus Groups**

Focus groups are a type of qualitative data collection method where a small group of participants discuss specific topics. This method enables researchers to investigate group opinions, unearth various viewpoints, and watch group dynamics develop (Krueger & Casey, 2015). Focus groups enhance semi-structured interviews by

examining group dynamics in culturally different workplaces and offering collective insights. This approach encourages interaction amongst participants, developing different points of view and common experiences in a cooperative environment (Morgan, 1997). Focus groups are especially useful for evaluating how cultural diversity and its management affect employee retention because they allow for in-depth conversations on experiences, cultural difficulties, and workplace dynamics.

The capacity of focus groups to produce in-depth insights through interactive discussions is one of their main advantages. According to Morgan (1997), participants frequently build on each other's ideas, which may provide insights that may not come up in one-on-one interviews. Further, focus groups are efficient in terms of time and resources than individual interviews because they enable researchers to collect data from several participants in a single session (ONyumba et al., 2018). Additionally, focus groups allow researchers to watch nonverbal indicators like body language and group dynamics, which give participants' spoken comments more context Clark et al.,2021).

There are some drawbacks to the focus group method, such as participants may refrain from expressing disagreement or agree to the majority opinion in order to preserve group peace (Krueger and Casey, 2015). Silent participants may be overshadowed by dominant voices, making it difficult to record a range of viewpoints (Morgan, 1997). Furthermore, careful organization is necessary for focus group scheduling, recruiting, and logistics (ONyumba et al., 2018). Additionally, social desirability bias may result from the researcher's and others' presence when replies represent socially acceptable viewpoints rather than true thoughts (Krueger & Casey, 2015).

### **3.3 Sample Selection**

Participant selection plays a key factor in guaranteeing the reliability and applicability of qualitative research findings. Purposive sampling will be used for this study because it enables the intentional inclusion of people with specific characteristics and experiences related to employee retention and management of cultural diversity. According to

Patterson et al. (2011), this approach guarantees the selection of participants who are most qualified to offer comprehensive and perceptive data.

The study is targeted at the employees, HR managers and supervisors to provide a comprehensive understanding of how management of cultural diversity impacts employee retention. The selection of participants from minority groups will get special consideration. A comprehensive examination of the ways in which management of cultural diversity affects employee engagement, satisfaction, and retention is made possible by incorporating both groups (Creswell & Poth, 2017).

Four individual level interviews and three focus group interviews conducted to derive data. Individual level interviews conducted with company HR manager, HR specialist who provide employees to the company, and two immediate supervisors. Three focus groups interviews conducted and four persons were in each a group, all together there were twelve employees in focus groups. To guarantee a fair representation of viewpoints, members in each focus group will come from a variety of cultural backgrounds. This sample size was chosen in order to facilitate in-depth, rich discussions while maintaining a reasonable procedure for data collection (Hennink & Kaiser, 2021).

Purposive sampling, which is frequently used in qualitative research to find people with pertinent experiences and expertise, will be used to choose participants (Etikan et al., 2016). The selection criteria will encompass exposure to diversity management methods, role within the organization, and tenure. This strategy keeps the sample in line with the goals of the study while guaranteeing that it represents a variety of experiences (Patton, 2015). When HR managers, Supervisors and employees are included, a dual perspective is created that blends strategic ideas with personal experiences. This combination enhances the data and makes it possible to comprehend the research problem comprehensively ((Lim, 2024).

The sample size will be determined by the data saturation concept, which will guarantee that relevant topics are recorded during the data-gathering process. Data saturation

guarantees the thoroughness of the results when no new information is revealed by further interviews or conversations (Fusch & Ness, 2015). Table 1 shows the participants details describing sample characteristics.

Interviewee	Gender	Interview Date	Interview method	Time	Language of interview
Company HR manager	Female	March 25 <sup>th</sup> 2025	In person	42 minutes	English
HR specialist	Female	March 20 <sup>th</sup> 2025	Zoom	35 minutes	English
Supervisor 1	Male	March 14 <sup>th</sup> 2025	In person	32 minutes	English
Supervisor 2	Female	March 18 <sup>th</sup> 2025	In person	36 minutes	English
Focus Group 1 Sri Lanka (Focus Group 1 SL)	03 Male 01 Female	March 11 <sup>th</sup> 2025	Zoom	65 minutes	Sinhala
Focus Group 2 Bangladesh (Focus Group 2 BD)	02 Male 02 Female	March 8 <sup>th</sup> 2025	Zoom	76 minutes	English
Focus Group 3 Ukraine (Focus Group 3 U)	01 Male 02 Female	March 16 <sup>th</sup> 2025	In person	95 minutes (Including translation)	Ukraine

Table 1. Participant Information

There were sixteen participants in total, representing management and a culturally diverse workforce. A culturally diverse workforce consists of food processing and packing employees with higher educational backgrounds. Focus group 1, Sri Lanka, consists of four members; two of them hold master's degrees, and the others are

graduates. Focus group 2, Bangladesh, consists of four members; one of them holds a master's degree, and the others are graduates. Focus group 3, Ukraine, consists of four members; three of them completed vocational school, and the other one completed upper secondary school.

### **3.4 Data Analysis**

The study's data analysis will follow a systematic qualitative approach to guarantee a comprehensive analysis of the information gathered from focus groups and semi-structured interviews. Qualitative data analysis methods include content analysis, narrative analysis, discourse analysis, thematic analysis, and grounded theory (Timar, 2024). According to Timar (2024), a well-liked technique for analyzing qualitative data is thematic analysis, which finds themes and patterns in the data. Further, the data is coded, or given labels or categories, as part of the thematic analysis process. In the present study, such thematic analysis is adopted as a method for data analysis.

As suggested by Braun and Clarke (2006), all focus group talks and interviews will be audio recorded with participants' permission and verbatim transcribed to guarantee accuracy. The researcher will go over the transcripts several times in order to become acquainted with the material and spot any early trends or reoccurring themes (Bazeley & Jackson, 2007). According to Miles et al. (2014), coding is an essential stage in qualitative analysis. It allows the researcher to recognize, classify, and organize data into meaningful categories. The collected data will be analyzed after being transcribed and coded manually. According to Oranga & Matere (2023), qualitative research consists of a lot of data that needs to be transcribed and coded manually or using software.

An abductive approach is applied during the coding process combining both inductive and deductive, in which the researcher repeatedly examines the data to create and modify codes and interpretations as necessary. Inductive coding ensures a grounded approach by allowing themes to emerge directly from the data without presumptions (Thomas, 2016). The data analysis procedure will be guided by the six-step framework developed by Braun and Clarke (2006). These include getting to know the subject,

creating initial codes, looking for themes, evaluating themes, defining and labeling themes, and creating the report.

### **3.5 Reliability and validity of the research**

In qualitative research, reliability and validity are essential for demonstrating the findings' reliability, credibility, and dependability. The consistency and dependability of the procedures used for data collecting and analysis are referred to as reliability in qualitative research (Patton, 2014). For all semi-structured interviews and focus groups, a structured interview guide was created to guarantee uniformity. Open-ended questions that were in line with the study's goals were incorporated into this guide to reduce variability brought on by the researcher's influence (Creswell & Poth, 2017). Every focus group and interview were audio recorded and verbatim transcribed. This minimized biases and inaccuracies and guaranteed an accurate depiction of participants' responses (Patton, 2014).

Validity is the degree to which the research methods and findings accurately and adequately reflect the phenomenon being studied (Creswell & Poth, 2017). Semi-structured interviews and focus groups were two complementary techniques used to triangulate the data. To increase the validity of the results, insights obtained from one approach were cross-checked with those from the other (Denzin, 1970). Participants were also given access to preliminary results to ensure that the interpretations appropriately represented their opinions and experiences. By integrating participant feedback, this iterative procedure improved the validity of the findings (Birt et al., 2016). Participants were engaged for a sufficient amount of time in order to establish trust and fully comprehend their viewpoints (Creswell & Poth, 2017).

## 4 Findings

This chapter discusses the key findings from the semi-structured interviews and focus groups to research management of cultural diversity and employee retention in Finland. To discuss the findings of the study, this chapter is divided into three subsections. Those are how cultural diversity affects work, how company manage cultural diversity, and the management of cultural diversity and employee retention.

### 4.1 How cultural diversity affects work

Since the study is about the management of cultural diversity and employee retention, it is necessary to understand the cultural diversity of the organization. Employees from different cultural groups acknowledged that they are working with multicultural teams. According to the responses, individual attitudes show more support for the teamwork than for company support. When asked about diverse cultural workforces and working with them, the impacts of cultural diversity on teamwork were mentioned in the majority of responses.

*“We have altogether 330 employees. And we have employees from at least 18 different countries. Mainly they work very well. And I think they are also getting... it’s more fruitful when they have different cultures, different kinds, different ways of communication, and different ways of confronting people. There are people from Asia, there are people from Africa, and there are people from Europe, so you have entirely different ways of thinking. But mainly, the atmosphere is very good.” (HR Manager)*

Two focus groups described what it was like to work with a diverse staff. They have encountered cultural differences in positive as well as negative ways.

*“Yes, we are working with people from different cultures. Some of them are friendly, helpful and respectful and vary easy to work with. Others are opposite and they do not want to building any connection because they do their own things”. (Focus Group 1 SL)*

*“We are working with people from different backgrounds. It is not only from different nationalities or race but sometimes attitudes also. For example, when some people assigned to a certain task and there are some breaks when the machines are not*

*functioning. At that time, they do not want to support the others, but standing and chatting until their task begins". (Focus Group 2 BD)*

The company's management brought up the practice of classifying people according to their cultural background. They specifically brought up the ingroup behaviour and acknowledged that it was common. They mentioned that this grouping will not have a negative impact on productivity.

*"Among temporary staff, there are employees who only speak their native language. This causes some to communicate only with "their own." This is natural as they stick to the people who speak same language. This is usually not a hindrance in work tasks". (HR specialist)*

*"There are different employees from different nations in our factory. We can see that they stick with the same people, who speak their own language. Most of our tasks are teamwork and we can see that most of time these small groups work together for the same tasks and it does not affect productivity". (Supervisor 1)*

The company HR manager supports the idea of grouping and explained that it is good until employees make social contacts.

*"I think, for most people, it helps when there are also other people around from the same culture. So, you can group; the grouping is in that sense. It's important that you have a kind of safe background. You can speak your own language. And until you make social contacts with others and you can mingle with others, then you don't need that much from your families or relatives." (HR Manager).*

When asked about the sense of belongingness, identity fit and working within group and out group teams, most of employees responded that they had experienced partial sense of inclusion. Comfort and inclusion within own group is mentioned in all focus groups. Further, they explained there are some moments of exclusion and frustration. According to the interviews, exclusion and frustration has arisen due to the weak attitude towards the group work.

*"I feel safe and belonging when I am working with people from my country. When we work as a team, we help each other and help other works when we have free time. But even we help other groups our free time, we do not receive the same support from them.*

*It is not who we expected to support us, but I feel that I am not fully included. Maybe this is because they don't understand our traditions. Sometimes, I feel that we are treated differently, like we get harder tasks more often than the majority of employee"s. (Focus Group 3 U)*

*"Normally we have three breaks, and the time is recorded in the system, but the people in the majority group use more time for breaks and never notice. We were always on time, but even when they did it regularly, we never noticed or advised them. These are some occasions that I feel I am not a part of the team and we are not treated equally." (Focus Group 2 BD)*

Ingroup and outgroup behavior has been noticed by the immediate supervisors and HR specialists, and they do not interfere with the situation much since they believe that it is something that cannot be controlled forcefully. The situations mentioned by the focus groups are not considered by the management, according to the interview findings.

*"I believe there are issues, but not to the extent that we have received information about them. Especially when it comes to the minority groups, they do not want to report issues directly, so it can go unnoticed about their feelings of exclusion." (HR specialist)"*

*"We can see that during breaks and their free time at work, they stick to their own groups. We can see that it is natural, and we cannot force them to change. But there are some occasions that we mix with other groups tasks when we see someone is wandering alone."e. (Supervisor 2)*

*"Mostly. Mostly. Because there are hardly any people who are working only solo alone. So usually, it's a team. And there is a team leader, and then there is a group of people. Sometimes very small, but sometimes bigger teams. So, then you are part of a team." (HR Manager)*

However, the company HR manager further explained the importance of communication. She believed that the communication will make them feel included, and they are trying to implement that more.

*"We try to communicate more. When we had this coronavirus, it was very difficult because everything was isolated and we still had a lot of work to do. But now we need to have communication between the small teams and then with the shifts, so the shift leaders know that they need to communicate with the people. So, everybody is included, everybody is invited, and everybody must be there. Then also our CEO, our top director, has every quarter his staff info. So, he talks to everybody. Nine hotel meetings in one day, so it's about twenty minutes, half an hour. Everybody will hear the same message from the business. So, everybody should feel okay to work with us." (HR Manager)*

Communication and language barriers were repeatedly talked about during the interviews as challenges. Even though employees managed to work in the factory, all cultural groups believe that it is the most common challenge. Misunderstandings and exclusion are a cause of language differences and miscommunication.

*“Sometimes it is hard to express what we want and ask for help because not everyone understands English or Finnish very well. When it is really necessary, especially when we use machines, there are several options that are in the Finnish language; we had to use translation apps. It is useful, but not every time. We cannot use it every time when we work, because it can affect workflow. Normally we work in our own groups, and then we can easily communicate and understand others” (Focus Group 2 BD).*

*“I think language is a barrier, sometimes when the supervisors use Finnish for the instructions. But of course, they translate the important things, but still misunderstanding happens due to language differences.” (Focus Group 1 SL).*

The immediate supervisor was also informed that the translators had encountered some language barriers. They assist workers by translating instructions and posting them on the noticeboard where everyone can see. When working in the factory, they are required to use sign language and even show how to do tasks rather than providing explanations.

*“When there is a new announcement to make, we translate all the materials into English and Ukrainian. Sometimes when we are inside the factory, we cannot do this, and we try to give simple instructions. Sometimes hand signs help too. This happened several times, but we understand that we had to communicate either way to deliver the message.” (Supervisor 1)*

The HR specialist from the external agency expresses concern about the communication effort that they make when hiring people. Hiring individuals from diverse cultures presents a number of challenges. Because individuals behave differently depending on their culture, even the way they talk may be different to people from other cultures.

*“We translate materials into English, which most people from other cultures can understand. But still, communication is a challenge; for example, there have been misunderstandings related to clothing. A funny example is that employees from Morocco came to work in flip-flops where safer shoes were needed. These were handled by*

*explaining the local customs to the employees. We have multilingual HR staff to help, so they can talk their own language when necessary. In certain cultures, the way of speaking can seem aggressive and disrespectful to Finns. Such situations have occurred, for example, when there was an error in paid wages, and the employee pointed it out very rudely. The issue was corrected, and the employee was advised on how to handle such matters in Finland.” (HR specialist)*

The company HR manager highlighted misunderstanding as the main challenge when having a culturally diverse workforce. This misunderstanding occurs due to the limited understanding of language.

*“The main challenges are about the misunderstandings. So, the understanding of language, understanding of the issue. And when you have your cultural differences behind you, then people are coming to me, saying, ‘Those persons are fighting.’ They’re not fighting. They are not understanding each other.” (HR Manager)*

The company's human resources manager explained that the solution to these misunderstandings should be addressed right away.

*“And then we need to be very fast to sit down and talk about the situation. Because if we are not solving them, then it's going to be a bigger problem. So, we need to be very active and very fast with these things. When I see also that people are seriously committed to work, there are, of course, people who are working because they want to earn money but they are also interested in the business, what we are doing, how we are doing, how the projects are, and you can see for some people they are really interested, they are really enthusiastic”. (HR Manager)*

## **4.2 How the company manage cultural diversity**

The second objective of the study was to study how the company manages cultural diversity. Most of the employees express that there are no specific structured diversity programs. They agreed that there are programs and training that are related to the work but not related to the diversity or teamwork.

*“When we join the company, we had on the job training and other information session about work. That is not about how to work with people from other cultures or how to do better with other people”. (Focus Group 3 U)*

*“There is no such program or anything. We just stick to our own group, where we can be ourselves by speaking our own language. If we want to interact with people from the other cultures, we have to do it by our own. I think it will help if there are some team events to get familiar with other cultures”. (Focus Group 1 SL)*

HR specialist from the external agency confirmed the same. This is mostly because companies need workers immediately to the businesses. Therefore, here are no time for them to train or guide how to interact with culturally diverse workforce.

*“We don’t have formal diversity programs right now, because we need to supply workers immediately to the companies when they demand. This happens for the temporary workers, but of course for the permanent employees we have discussed to arrange some programs. Up to now our programs are practical like translating work instructions and treating them equally. We hope to do more in future”. (HR specialist)*

Interviewed supervisors confirmed the same and they further explained on the job training mixing people from different background is more practical.

*“We don’t have any official training sessions relating to the cultural diversity. When we meet employees during, we talk casually with the and try to include everyone. When we see someone is isolated, we ask from them whether they are doing fine. It is not formal but it is practical and best practice”. (Supervisor 1)*

*“We give equal task to everyone based on the work, not their background. We don’t separate people and the same time we haven’t had training about cultural understanding”. (Supervisor 2)*

The company HR manager expressed that in addition to general orientation, they provide a second orientation where employees can provide feedback. She has explained the opportunity she provided to employees to talk to her personally.

*“We have the general orientation when people start, and then after about one month, we have the second orientation when the people are invited again. And then they can also kind of give feedback to us about how the company is. And I have also tried to tell everybody that I'm not so scared that people will also come to me. They have some problems, of course, and I always try to organize time that people can come, and then we just talk one by one.” (HR Manager)*

Additionally, the company's HR manager clarified that the organization is putting initiatives in place to accommodate individuals from various cultural backgrounds.

Through a foreman's assistance in overcoming obstacles, they hoped to support and foster professional and personal development.

*“One thing that we try to develop, and we have started already in our packing department and in our production department, is that there is one-on-one talk once a year with the foreman. And that also I want to implement here because first you don't have almost anything to say. But then you'll turn, hey, there have been found your wishes, your career dreams. What do you think of the job? What do you think of your— is there something in your private life that is maybe challenging for you, which also affects your work?” (HR Manager)*

Management support and equal treatment are repeatedly mentioned during the interviews. Even though there are no structured programs, most of the employees express positive feedback about their immediate supervisors and managers. Even though the feedback is positive, all of them express that nothing changed even after talking to the immediate supervisor. Employees are not satisfied with the follow-up procedure and responsiveness of immediate supervisors.

*“My immediate supervisor is supportive, and when I have problems, I can talk to her, and she always listens. But the case is nothing changes even after I talk. I feel like they really don't want to get involved, or they don't have the authority to change anything.” (Focus Group 2 BD)*

*“They advice and make notice in the noticeboard, but nothing changes”. (Focus Group 3 U)*

According to one respondent, even management pays attention to the circumstances that some individuals do not need to alter. It is not only because of the cultural background but also her attitudes.

*“Of course, managers try to be fair with everyone and try to divide work equally. And they listen when we want to express our feelings of isolation at work. As I mentioned earlier this is a teamwork and some people can skip work if they want. They try to clean the floor always for example. After cleaning she disappeared and was wondering here and there avoiding work. This happens lot of time and even immediate supervisors cannot stop it. Because it is not only cultural background but it comes with the attitudes”. (Focus Group 1 SL)*

From an employee perspective, the immediate supervisors provided an explanation of their support and task distribution. They said that because this involves teamwork, there are instances when they are unable to completely manage the situation. When someone complains about anything, they typically post a common note instead of speaking with them personally.

*“We try to rotate employees as much as possible. If someone complain about something, we look in to it. But sometimes we cannot completely control the situation because this is a teamwork and everyone need to corporate. Sometimes work can be heavier for someone and it depends on the shift and that’s why we need to rotate shifts when replacing employees during break time”. (Supervisor 1).*

*“Some workers come to talk to us usually about being tired or some employees do not corporate. We always let them speak to us, even small things. If it is reasonable, we make changes and advise all staff by placing a notice in common. We place a notice without mentioning names and everyone knows what is about it. Some workers do not speak but we observe their moods” (Supervisor 2).*

Management also mentioned about their support and equal treatment, mostly in monetary terms. Both HR specialist and company HR manager explained about collective agreement.

*“We always follow collective agreements, meaning everyone is treated exactly the same way regardless of their background. They get same salary for the same job and equal opportunity for promotions”. (HR specialist)*

*“We are following the collective agreement. So, it doesn't matter what the background is. We need to make sure that those people who have foreign backgrounds have the permits that are okay and that they have the certificates that we need. And then if you are a Finnish citizen, of course, we need to make sure that they are Finnish citizens and that they have the same certificates as others. So, the salary issues are equal, and that is a strict rule for us.” (HR Manager)*

When discussing the management of a culturally diverse workforce and employee retention, the company HR manager explained the effort made by the company to improve diversity and inclusion. They are initiating training programs and guidelines to support work-related matters.

*“It is a challenge that we can make sure that people understand. About the training orientation, about the product safety, about the working safety. And that's why we have developed a lot of material that also can be digital, video material, pictures, and visual guidance that people don't need to read text in English or Finnish because neither of these languages is their mother language.” (HR Manager)*

In addition to work-related programs, they are initiating programs to make bonds between employees from different cultures. The company is focusing on Finnish language training to support employees and make them feel safe in Finland.

*“We are trying in Lieto to invite people from different cultures to a canteen to cook their origin food. So, it's also that besides the boring work that you do, you do something else and then introduce what kind of Bangladeshi chicken you might do or what kind of Indian chicken you would prefer.” (HR Manager)*

*“We also invest in Finnish language training because we are in Finland. People feel safe in our company because we also speak English. But when you go out, when you go to the bank, when you go to the shop, people don't necessarily speak English. Of course, we are well-educated in languages because nobody speaks Finnish anywhere in the world. So that is good for immigrant people that you will find everywhere somebody who's listening quite well.” (HR Manager)*

Further, leadership and training for foremen is mentioned when talking about management of cultural diversity and employee retention.

*“I would try to invest more time and effort and knowledge and training for the foreman because they are in a critical position to understand people, to understand differences, to have time for their people, to talk to them, and to communicate more. Business is mostly point of one, but we can't do it without the people. So, if they are not alone, then we have difficulties. So that's something that I would, in the long run, like to change before I retire.” (HR Manager)*

### **4.3 How Cultural Diversity Management Affects Employee Retention**

The last part of the questionnaire aligned with how management of cultural diversity affects employee retention. Job satisfaction and motivation to retain were mentioned many times by both employees and management. Many employees express that a positive attitude towards their pay and benefits is strong motivation to stay. During the

interviews they express their necessity to remain in the job but were considering leaving too. That is due to the unequal work division or better opportunities. Even if there is satisfaction in the job, it is not a strong enough reason to stay with the company.

*“I like to stay in the company because of the pay, vacation, and medical benefits. On the other hand, even if the same benefits are provided by the other companies, finding another job is not that easy. Sometimes, I think about leaving the company if I could find something better, a light work job” (Focus Group 3 U).*

*“I feel distant at work because I live 75 km away from my company. Currently, I do not have a job in my hometown. It is difficult to travel every day, and that would be the main reason for me. I think it can depend on the person and the situations he has faced. It is not a common issue; it can depend on the person.” (Focus Group 1 SL)*

The immediate supervisor and HR specialist mentioned that culturally diverse employees stay longer within the company, and they are more committed to work.

*“We see who is committed; mostly immigrants seem more committed. We see employees come on time and rarely late. When employees talk about difficulties, they never talk about leaving the company, but we understand when someone is continuously complaining over small things, they are not happy to stay. We try to talk about the situations where they are not happy and give our maximum solution to reduce the effect on all parties.” (Supervisor 1)*

*“I believe foreign employees stay better because we also help them with housing and work permit issues. Currently, Ukrainian employees may leave because they want to return to their home country whenever the situation is calm” (HR specialist).*

The company HR manager confirmed the same: that a culturally diverse workforce is more committed. When discussing retention, she clarified that because ethnically diverse employees are more educated, they could have higher professional aspirations.

*“I think sometimes that the people from foreign background are more committed than the Finnish people. At the moment, I think the commitment is equal. But usually, people from foreign background are quite well-educated to us. And of course, in this kind of job, you can't utilize your academic degree. So, it's kind of a step forward. They come to the country and they earn a little bit of money, they have a wider perspective of what they can do, they can learn the local language and then they can move forward.” (HR Manager)*

When asked about what are the most commonly seen factors that lead employees to leave the company, interviewees mentioned their perspectives.

*“I have seen people leave; we do not know the exact reason. Maybe because they feel they are not appreciated at work.” (Focus Group 2 BD)*

*“Normally people don’t speak about the reason they are leaving; I think it can differ from person to person. I think when they don’t feel connected, they start searching for new jobs.” (Focus Group 3 U)*

Immediate supervisors express the same idea as employees and further explain that good communication and hiring skilled employees could mitigate the situation.

*“We don’t see a specific reason why people leave. I think we need to communicate more, even if it’s challenging. Then we can understand if someone is unhappy before they leave the company.” (Supervisor 1)*

*“I have seen some workers leave suddenly; we don't understand why because they didn't speak before going. I remember one food processing employee leaving his first day during his break without saying anything. We were waiting in the factory until he came from the break, but he suddenly left the company without saying anything. We hire unskilled employees, expecting they can grow with us. But after that incident, we expect some experience from the new recruiters because otherwise they cannot bear the workload, and of course everything is difficult the first time”. (Supervisor 2)*

The HR specialist explained that employees leave the company not because of the culture but because they want to advance their careers.

*“I haven’t seen a trend of people leaving the company; rather, some people leave when they want to change the location or when they find some career advancement opportunities.” (HR specialist)*

Then the subject was how to improve the retention; employees made suggestions based on their experience.

*“When asked how to improve employee retention and belongingness, participants recommended more social events, fair treatment, and interaction.” (Focus Group 2 BD)*

*I think it is better to have a monthly meeting; then we can interact with each other. It is good if we have a tea party and conversation with members once a month. So, we can talk and relax because now we only talk about work.” (Focus Group 1 SL)*

*“Making work divided equally among all makes me feel more included. Occasionally, I feel like some people always get easy tasks, and that is not fair.” (Focus Group 3 U)*

Immediate supervisors suggested more practical events and steps that culturally diverse employees can attend together.

*“We can have a group coffee after the shift. I think it helps to get to know each other. Because we don’t often have much time for big programs, but I believe that small coffee chats are a good start.” (Supervisor 1)*

*“We have some employees; they have ideas and complaints that never come out. I think anonymous feedback or a suggestion box would help them. We once used an anonymous feedback method, and it was a real success. This helps to get their true feelings when they decided to quit.” (Supervisor 2)*

Another suggestion is implementing structured diversity programs to support culturally diverse employees. Support for accommodation and work permit issues motivates culturally diverse employees to stay within the company.

*“I believe active efforts help employees stay. I believe foreign employees stay longer because we also help them with housing and work permit issues. I feel that even though we don't have active measures in this regard, employees stay with us for a long time because diversity is a core value in our work community. Training related to diversity would be good to implement because it is like a structural support, and it helps retention as well.” (HR Specialist)*

## **5 Discussion**

This chapter discusses the key findings of the research in connection with the theoretical framework. The discussion is structured into three main parts to answer the research questions. Those are the impact of cultural diversity on the workplace, how the company manages cultural diversity, and the relationship between cultural diversity management and employee retention.

### **5.1 The Impact of Cultural Diversity on the Workplace**

When investigating how companies manage cultural diversity and retain staff in a culturally diverse workforce, it is crucial to understand how it impacts work. Workers from various cultural backgrounds provided insights into communication, belongingness, teamwork, and group behaviour in their daily jobs. The workplace's multicultural character has been recognized by supervisors and HR professionals, as well as workers from various cultural groups. The company employs more than 330 people from more than 18 different nations, strengthening a diverse workplace. Diversity enhances teamwork and adds various viewpoints to problem-solving, while it has particular challenges.

According to the literature, cultural diversity in the workplace presents both opportunities and difficulties. Diversity encourages innovation, strengthens problem-solving skills, and promotes organizational learning and flexibility (Barak, 2016; Purdue Global, 2012; Stahl et al., 2009). However, if cultural diversity is not managed well, there can be interpersonal conflicts, communication obstacles, and feelings of exclusion (Gudykunst, 2004; Hofstede, 2010; Jehn & Mannix, 2001). The results of this research clearly show this conflicting reality. Cultural diversity in the workplace has both positive and negative impacts on teamwork, communication, and inclusion in the workplace, as per the research findings. Employees accepted that diverse cultural teams help to foster learning opportunities, while language barriers and differences in culture could affect teamwork.

HR professionals expressed that the company is an inclusive, multicultural organization. The HR manager viewed diversity as "fruitful," since employees held various thoughts and communication styles. This is consistent with Cox & Blake's (1991) concept that cultural diversity enhances internal processes by bringing in various viewpoints and improves interactions with a worldwide business. The HR manager's opinion that "...it's more fruitful when they have different cultures, different kinds, different ways of communication, and different ways of confronting people" shows how much the organization values the diverse social behaviors and knowledge. However, management's positive image differs from the findings of the employee focus groups. Workers acknowledged cultural diversity, but they believed that their efforts were more successful than management's efforts. There is a noticeable inconsistency between findings and the literature, which describes managers as being crucial to the success of diversity (Barak, 2005; Thomas & Ely, 1996).

One of the most recurring themes in the focus groups and interviews is the natural tendency of workers to create cultural in-groups. This approach is in line with Social Identity Theory (Tajfel & Turner, 1986), which suggests that people divide themselves into "us" and "them" and derive identity from group membership. Employees stated that they have a greater feeling of safety and inclusion when working with people from their own cultural backgrounds. This clearly shows the presence of in-group and out-group behavior in the case company. In-group members report greater levels of support and teamwork, while out-group members feel disconnected despite their efforts to integrate. Tajfel's theory of intergroup behavior states that when employees do not receive mutual support from the other group, it can lead to feelings of exclusion. This can improve in-group bonds and wider cohesiveness. As a result, it becomes harder to collaborate across groups, which can have an adverse effect on teamwork as a whole, especially when the company activities are team-based.

Social Identity Theory (SIT) by Tajfel & Turner (1979) explained that people tend to group based on their shared characteristics. However, these findings go beyond what the

theory outlines, by showing how cultural self-grouping effects workplace cohesion and retention. When employees naturally grouped based on culture, it caused workplace division. Informal interactions and work preferences are strengthening in-group favoritism and perceived inequality. The participants stated that they feel more comfortable around their cultural group, and working within their group makes them feel included. Their attitude towards the outgroup is the same, and they acknowledge the outgroup exclusion. Findings show that some workers feel excluded from informal interactions. This supports the idea that social belongingness is essential for integrating into the workplace. The HR manager highlighted diversity as a fundamental principle, while employees believed that there was a gap between policy and practice. This is due to no actual measures being taken to guarantee inclusion. This emphasizes the necessity of active inclusion tactics that go beyond the company's translation procedures.

The key idea of SIT is that one's cultural identity is acknowledged and valued in a social setting (Tajfel and Turner, 1986). This is demonstrated in the workplace through regular encounters, acknowledgment, and fair treatment. The study's findings emphasize that employees from minority backgrounds frequently felt "partially included." This partial belongingness means they work operationally as a team but not socially or emotionally with a culturally diverse workforce. These results support the findings of Kite and Whitley (2016), who claimed that even covert or silent exclusion can lower employee morale and create an unfair work environment.

These feelings of exclusion called into question the management's belief that cultural grouping is harmless if production stays constant. Further, employees do not always show direct prejudice, but they also do not feel fully included. This distinction is crucial: feelings of loneliness can slowly lead to emotional withdrawal. According to Job Embeddedness Theory (Mitchell et al., 2001), this weakens the "links" and "fit" components of embeddedness, increasing the likelihood that workers would eventually disengage or leave.

Supervisors and HR professionals accept that staff members remain in their own cultural groups. They considered it to be useful and not an obstacle to day-to-day tasks. According to one supervisor, this type of grouping is "natural" and does not disturb work. This expresses a realistic approach to managing diversity in allowing them to work independently as long as production goes well. This attitude ignores the emotional and relational expenses that minority employees bear. This can cause serious long-term dangers, including lower job satisfaction, increased minority turnover, and workplace separation, even if productivity might stay the same in the near future. Literature explains that disregarding these group dynamics may result in unnoticed obstacles. Minority workers may feel excluded, and their job satisfaction may be influenced, resulting in increased turnover in the long run (Jehn & Mannix, 2001; Guillaume et al., 2017).

This indicates that the weakness in diversity management may have an impact on employees' job satisfaction and sense of belonging. This is in line with the previous research highlighting how a lack of proactive inclusion tactics might worsen divisions in the workplace (Shore et al., 2011). Workers also described situations in which work dynamics were impacted by cultural groupings. For instance, some employees chose to work only with members of their language group, which limited the ability of different teams to share information. The HR manager admitted that there is no formal system in place to integrate workers from different cultural backgrounds outside of work assignments apart from the company's encouragement of interaction.

Another crucial finding is the emotional effort that minority employees must take to adjust, integrate, and preserve harmony. Many employees explained that they need to "push themselves" to engage in informal social activities or majority group discussions. When these efforts go unrecognized or unreceived, emotional tiredness can arise. This is similar to Nishii's (2012) idea of an "inclusiveness climate," indicating perception among workers that they are valued and respected. When the company is lacking active inclusivity, minority employees try to find safer cultural clusters or quit. HR specialists

accepted that employees from minority groups do not talk about their difficulties with management. This hesitation could arise due to disbelief of the system's responsiveness or fairness. If employees think their concerns will be disregarded or misinterpreted, they may not be interested in attaching to the company.

Communication and language often become the main issues in the multicultural setting. Previous research has identified language as a primary cause of misunderstandings (Gudykunst, 2004; Ting-Toomey & Chung, 2021); this study supports that. Several participants mentioned how poor communication frequently resulted in discomfort and inefficiency. Workers complained about having troubles in communicating, understanding instructions, and using workplace devices that mainly provide instructions in Finnish. Supervisors themselves admitted that to successfully convey tasks, they had to use non-verbal communication or visual instructions. This demonstrates an unplanned rather than a systematic approach to cultural diversity. Furthermore, miscommunications impact emotional impressions in addition to practical effects. Employees are supposed to adapt to local customs in this situation rather than everyone learning from one another. The dominating group gains more support in this indirect way. Minority groups may perceive that they are lower in the company's social hierarchy as a result, according to social identity theory.

When miscommunications continue, it will give the impression that someone was being treated unfairly. This supports previous research indicating poor communication in diverse organizations can lead to feelings of discontent and isolation (Lauring & Selmer, 2011). Furthermore, Gurchiek's (2023) research emphasizes how poor communication in diverse groups can increase employee dissatisfaction. As per the results of the research, communication problems regularly went beyond job requirements. Some workers believed that their concerns were ignored or that they were not consulted when issues occurred. Culturally diverse employees explain that it is difficult to completely integrate into the workplace culture due to lack of communication. It is a good initiative for the HR manager to try to enhance communication through shift

meetings, frequent updates, and direct CEO involvement. However, informal exclusion still exists in group discussions, breaks, and joint tasks regardless of these organized efforts. This difference emphasizes a significant gap between formal inclusion initiatives and actual employee experiences. According to Barak (2016), effective diversity management requires fostering interactions that increase empathy, mutual respect, and trust in addition to following policies.

Communication difficulties include language, cultural norms, and behavior. Normal behavior in some cultures may be seen as aggressive in another culture. This is explained by the HR specialist's example of a Moroccan employee "rudely" highlighting a payroll problem. That solution shows how to handle disagreement, but it expresses how cultural misunderstandings are frequently cleared up by "correction" instead of mutual education. However, this challenges the view of real inclusion that everyone should adjust and acquire knowledge from one another (Cox & Blake, 1991; Barak, 2016). Interviewees expressed that, in addition to providing official statements and translations, management may aim to establish a culturally sensitive workplace. The company would benefit from creating environments that support and promote cultural expression. Otherwise, workers might work but maintain their social distance, which is a problem that is especially important in manufacturing environments.

## **5.2 Managing Cultural Diversity in the Workplace**

A key finding was that the organization lacked formal diversity management initiatives. Workers reported that although job-related training was offered, no official initiatives were made to promote intercultural cooperation or understanding. According to the SIT, people can stick to their own group when there are no formal programs to support cultural understanding. Employees tend to connect with the people who speak the same language or share a background without making an effort to share an identity. This can lead to separation and less interaction between culturally diverse groups. Focus group interviews suggested that the company's casual environment has not been enough to bring people from diverse cultures together.

Supervisors and HR personnel acknowledged the absence of diversity-related training, especially for temporary personnel. They stated that they try to promote practical, interpersonal strategies for inclusion. Comparative research shows that businesses providing organized diversity training initiatives report increases in employee satisfaction and collaboration (Dobbin & Kalev, 2016). Employees may find it difficult to integrate without such training, which might increase turnover rates. Moreover, businesses without formal diversity management procedures sometimes rely on unofficial managerial interventions, which cannot be equal among teams. This is consistent with Allport's (1954) Contact Hypothesis, which suggest that shared objectives, equal status, and institutional support can reduce prejudice. In the absence of informal initiatives, such as informal discussions and emotion observation among staff members may have limited impact on developing inclusion.

Even though formal diversity programs are not in place, the results show that there are some managerial and interpersonal support systems in place. Employees expressed that their complaints were acknowledged, but they were rarely addressed. This indicates a gap between the management's documented support and their actual reaction. Employees notice a lack of follow-up procedure, which can undermine trust and lower motivation. Supervisors said that while they make an effort to address issues, they have to consider the team-based nature of the task and the informal organizational standards. The company's capacity to create a cohesive, inclusive work environment is limited by supervisors' and employees' informal behaviors and inclusive attitudes. As stated by Shen et al. (2009), careful methods that actively foster multicultural understanding, trust, and collaboration are necessary for effective diversity management. These strategies should go beyond simple compliance or equal treatment.

Employees explain the helpfulness of their supervisors and human resources staff. The HR manager expresses the company's orientation procedure, including a follow-up meeting one month after new recruitment. Further, she emphasized her attempts to be open for person-to-person conversations. When workers believe they are being treated

with respect and dignity, these behaviors promote interactional justice (Colquitt, 2001). However, the lack of action after these conversations increases uncertainties among the workforce. When workers believe that the decision-making process is not fair, it reveals a gap between hearing and action. In addition to cultural background, some employees identified personal attitudes or work ethics as contributing to their issues. This illustrates the complexity of workforce problems where organizational structure, motivation, personality, and culture influence each other.

Supervisors and HR staff both stressed the value of equal treatment with regard to pay and job duties. They highlighted that to guarantee equality, the company strictly follows collective agreements. Acting in accordance with the collective agreement demonstrates justice, while a culturally diverse workplace requires more attention. Individuals have varying needs, such as assistance with language or cultural adaptation. Workers' expression on equal treatment refers to the fairness of work distribution and disciplinary actions. Some workers thought that members of the majority group had more flexibility with regard to work assignments and break times. These findings show policies are equal on paper, but their actual application is not always fair according to the workers. This could have an impact on employee engagement and retention. Barak (2016) argues that meaningful diversity inclusion needs more than statutory equality, but it should entail establishing settings where every person feels appreciated, encouraged, and empowered.

Supervisors explained that cultural differences influence them slightly when they make managerial decisions. For instance, culturally diverse employees were sometimes advised about miscommunications about job standards. Culturally diverse employees may assume that other groups may enjoy more freedom in comparable circumstances. This impression of unfair treatment increases workplace conflicts and causes frustration among employees. Previous research shows that workers' commitment and job satisfaction are significantly impacted by their opinions of fairness (Colquitt, 2001). If

employees feel they are receiving unfair treatment, they are less motivated to engage and are more inclined to leave the company.

When addressing problems, organization frequently send out general messages rather than interacting with individuals personally. The HR specialist stated that certain practical steps, such as translating job instructions, have been taken to guarantee equitable treatment. These actions are useful, but they are functional and reactive rather than relationship building. They guarantee that workers can adhere to procedures, but they do not train them to collaborate with individuals from other cultural backgrounds. Additionally, supervisors attested to the lack of formal training in diversity and cultural sensitivity, and when necessary, informal measures are taken. This demonstrates their preference for maintaining harmony over confronting issues head-on. Although supervisors are aware of problems and make an effort to address them, they lack the capability to actually alter things.

Another important result is that minority cultural groups feel unequal treatment, with preference sometimes given to the dominant group. Employees in focus groups explain that these unequal treatments include insights about informal social norms, break time flexibility, and workload distribution. Some members of the focus group thought it was unfair that they were scolded for breaking the rule, while others were not. When workers believe that things are unfair, they start questioning if they really belong there. These problems were frequently disregarded by management or blamed on a failure to report. This perspective ignores systemic reasons for underreporting, which are frequently mentioned in staff narratives, such as language barriers, distrust, and fear of retaliation.

### **5.3 Cultural Diversity Management and Employee Retention**

Many employees explained that their pay, vacation time, and health benefits are powerful incentives to stay. These are valued by culturally diverse workers since they directly contribute to their stability and standard. According to the Job Embeddedness

Model (Mitchell et al., 2001), factors that affect retention are the employee's perceived "fit" with the company and the sacrifice linked with leaving. The results show that workers value their pay and perks, but it does not guarantee retention. Benefits play a part in the "sacrifice" element in JET, but a lower sense of "fit" makes workers search for other options. Many workers who were experiencing communication and cultural problems said that they would be ready to quit if they were offered better possibilities. Workers who do not have a sense of belongingness from their workplace are more likely to look for other job opportunities (Holtom et al., 2006). Therefore, companies could actively aim toward developing an inclusive culture where workers feel valued together with offering monetary incentives. This limited feeling of belonging makes employees less motivated to make bonds with their positions, which raises the risk of turnover.

According to the Social Exchange Theory (Blau, 1964), workers stick with a company when they believe their contributions and benefits are balanced. Employees in this study placed a high value on financial stability and job security. In turn, many felt that their concerns regarding inclusion and fairness were not sufficiently addressed. This lack of attention when resolving workplace issues could weaken long-term loyalty of employees to the company. Companies that actively listen to their workers' issues foster a positive working environment, and it will reduce employee turnover and increase levels of commitment (Cropanzano & Mitchell, 2005). Therefore, a practical strategy to resolve perceptions of fairness would be useful in order to improve retention. Supervisors and HR staff believe that immigrant workers were more dedicated and on time. The company's acknowledged and valued efforts to assist staff members with housing and legal issues increase employee retention and emotional engagement.

Another element that influences retention is the distance to the workplace from the residence. This is a good example showing that personal circumstances and logistical issues can lessen job embeddedness. Even though these issues are not recurring, these issues emphasize the importance of implementing customized diversity management strategies to address unique situations. The HR manager pointed out that culturally

diverse personnel might have higher professional objectives because of their educational background. Social Identity Theory (SIT) is in line with this; when it comes to social comparison, people assess their positions by comparing them to others. When culturally diverse employees feel underutilized or unable to use their skills, they might look for opportunities elsewhere. Retention may be hampered by a lack of career advancement opportunities in the existing roles.

The necessity for more inclusivity and improved communication is another recurrent theme. Employees explain that they normally did not feel completely included. Sometimes lack of understanding about the company's decision-making process influence their decision to quit. When employees do not have frequent opportunities to interact with people from different cultures, they feel alone. These feelings of exclusion and disconnection strengthens the argument made by Guillaume et al. (2017) that unresolved prejudice and treatment-related minority inequities might result in lower morale and higher turnover among minority groups. This situation also undermined the psychological contract between the employer and employee, as they felt they weren't treated fairly (Rousseau, 1995).

The organization has implemented diversity management strategies to promote inclusivity by using visual training materials, multicultural culinary events, and language instruction. These procedures assist diverse workers in adjusting to and integrating into the workplace. These movements strengthen social bonds and organizational fit, two crucial JET elements. Additionally, by acknowledging and appreciating cultural distinctiveness, the company supports improving social identities, which can increase worker satisfaction and a sense of belonging.

Leadership development is needed especially for foremen who have direct contact with employees from varied cultural backgrounds. According to SIT, improving foremen's empathy and cross-cultural communication will foster greater comprehension and

collaboration. That emphasizes the value of perceived fairness and respect, fostering trust and decreasing miscommunication.

Employees mentioned that they feel demotivated when task distribution is unfair and there is a lack of acknowledgment. SIT also highlights the importance of treating people fairly and allocating tasks transparently. Staff members and managers made many recommendations to increase retention. These are coffee conversations after work, equal workload distribution, anonymous feedback, and monthly social activities. These recommendations indicate a desire for psychological safety, social interaction, and communication aligning with JET's embeddedness concept. The HR consultant emphasized that when a long-term retention plan is initiated it must include institutional diversity support. Diversity should be addressed by systematic and ongoing efforts combined into business policy and culture.

## 6 Conclusions

This chapter aims to conclude the main findings of the study. Also, theoretical and managerial implications are discussed. Then, limitations of the study and recommendations for future research will be provided.

Findings of the study highlight how cultural diversity affects the work environment, how cultural diversity is managed, and how these things impact employee retention. The research found important insights based on interviews with supervisors, HR managers, HR specialists, and culturally diverse employees. This was guided by the Job Embeddedness Theory (JET) and Social Identity Theory (SIT).

The results showed that there is cultural diversity inside the company, and it has a mixed effect on interactions at work. Workers naturally group with people who speak the same language or share the same culture. This limited cross-cultural interaction and social disintegration. This supports SIT's argument that the absence of formal mechanisms for cross-group involvement causes more noticeable in-group identification.

There was no official, organized diversity management procedures in place at the organization. There are some unofficial and reactive tactics, such as translating instructions, having supervisors watch how employees behave, and holding occasional multicultural events. However, employees felt that these are not enough to promote genuine intercultural understanding. Supervisors and HR personnel repeated their commitment to equity and acknowledged the difficulties in routinely implementing inclusive policies.

Retention is affected by factors such as perceived justice, workplace communication, cultural integration, and financial incentives. Even though pay and job security are appreciated many workers stated that they would be willing to quit if given better options. Employees more concerned about job security and financial stability. Lack of managerial responsiveness, cultural misunderstandings and views on unfair workload

distribution lead to the feeling of separation among culturally diverse workforce. The study emphasizes that certain diversity support and formal diversity management strategies that take into account equitable practices and cultural awareness would be beneficial.

## **6.1 Theoretical Implications**

This research applied Job Embeddedness Theory (JET) and Social Identity Theory (SIT) in multicultural work environments. Social Identity Theory (SIT) provides a useful framework for understanding group dynamics in a culturally diverse workplace. People identify more with groups that are similar to their own cultural or language background. The results support the main idea of SIT, and this propensity seems to be greater when there are no established procedures to facilitate the integration of culturally diverse employees. Workers at the case company often tended to group with people who spoke the same language or had a similar background. This creates unofficial cultural groups among the larger workforce. This shows how a lack of institutional support for diversity and inclusion can lead to in-group bias and limited out-group interaction. Furthermore, impressions of unfair treatment or partiality toward the dominant group make group differences more noticeable. This strengthened partition and threatened organizational unity.

JET was very helpful in examining employee retention. JET explains that workers are more likely to stay with a company if they feel that their work environment is a good "fit" for them, have "links" with their coworkers, and quitting would come at a large cost that is a "sacrifice." Communication obstacles, cultural variances, and unfair treatment are reported by many employees, implying a limited feeling of "fit." Monetary rewards like salary and housing support contributed to the "sacrifice" component of JET and the employees stayed within the company due to lack of external possibilities. In turn, overall embeddedness weakens by the lack of significant social and professional ties, failing "links" feature of JET. As a result, the study highlights the importance of social integration and cultural alignment to keep culturally diverse staff.

These theories help to understand the influence of employees' experiences in a culturally diverse workplace on group identity. This means that strengthening of workplace relationships and enhancement of intercultural understanding are not simply management concerns but also important factors for understanding inclusion and enhancing retention.

## **6.2 Managerial Implications**

The results of this study suggest that managers should improve workplace inclusion and lower attrition in culturally diverse environments. Lack of formal diversity management methods caused communication obstacles, feelings of exclusion, and unequal views of justice among employees. In turn, the case company placed some informal practices to help its multicultural workforce.

According to the findings, cultural training and formal diversity training would be useful in the company. Supervisors and HR professionals accepted the absence of such programs for temporary or foreign workers. When there are no formal trainings, employees like to stay close to their own groups. This can reduce cross-cultural collaboration and promote workplace division. Therefore, top priority by management should include formal diversity training and inclusion workshops that cover unconscious bias, language support, and cultural awareness.

Strengthening communication systems is crucial. Many workers said that their complaints were heard but rarely addressed, which made them less trusting of management. The company could thus take further steps to reduce this communication gap. Steps such as instituting feedback systems where employee concerns are addressed, like anonymous surveys, frequent team meetings, and one-on-one check-ins, could reduce this gap. Further, translation of internal messages into the many native languages of staff members can promote understanding and inclusivity.

The results show that the company is in a need of fair and open management techniques. Many employees felt that culturally diverse groups were treated differently for task assignments, breaks, and disciplinary measures. Adhering to collective agreements is management's main concern, knowing that it is not enough for fair treatment. Establishing a transparent system for work allocation can increase fairness in the workplace. Management could regularly audit how policies are being implemented and pay attention to cultural differences. Then, they better ensure that all workers feel equally appreciated and respected. Employee retention and satisfaction are greatly impacted by procedural and interactional fairness. This can be encouraged by incorporating these practices into day-to-day operations.

Provision of leadership training for supervisors is another recommendation. Supervisors and foremen are the first people employees can reach in culturally diverse environments. Supervisors usually use their personal judgments or informal methods to settle issues rather than relying on formal methods. It is a necessity that managers can lead with understanding, able to resolve conflicts and communicate across cultural groups. If supervisors get special training in these areas, they can handle problems proactively and equitably. This helps in minimizing miscommunications and enhancing team cohesiveness.

Further, the company could take more strategic approach to diversity management in addition to complying with regulations. Creating continuous diversity and inclusion policies that combine the goals, core values, and HR procedures of the company could be a better approach. Employee resource groups, multicultural social events such as shared meals, cultural celebration days, or team challenges, and mentorship programs can strengthen social ties and a sense of belonging. These initiatives closely correspond with the components of JET by improving organizational "fit" and creating significant "links" amongst employees.

Moreover, equal possibilities for career advancement and growth could be taken into account. Employees from various cultural groups stated underutilization or limited opportunities for career development. Managers can take steps to encourage the professional growth of all employees and to establish clearer promotion criteria to avoid any discrimination. This would show the organization's dedication to inclusion and equity and increase motivation and retention of employees. The study concludes that companies need a deliberate and structured diversity management system rather than a reactive, unsystematic way of dealing with cultural diversity. Organizations may initiate a more focused and inclusive workforce by supporting multicultural understanding, maintaining equity, and encouraging professional growth of every employee.

### **6.3 Limitations of the Study**

There are a number of limitations to this study. This study was structured to analyze the management of cultural diversity on employee retention using Social Identity Theory (SIT) and Job Embeddedness Theory (JET). Therefore, the theoretical scope of the study has been limited to these two theories. SIT explains the group-based identity, and JET explains relational and structured elements of retention. Theories such as psychological contract theory and organizational culture frameworks can provide different perspectives on managing cultural diversity and employee retention. The results discussed in the context of SIT and JET and the complexities of cultural diversity in work environments may not be captured completely.

The study was carried out in a single Finnish organization and limited in a geographical scope. Thus, findings may not apply to organizations in different countries or areas. The sample size of the study is small, even with interviews conducted with supervisors, HR managers, HR specialists, and employees from a variety of cultural backgrounds. The company consists of numerous culturally diverse groups, and only three different group representatives were interviewed. It is true that the qualitative method allows more in-

depths analysis but may not adequately represent the larger trends and variances throughout the company.

Limitations and the results of this study suggest a number of directions for future research. This study is conducted within a single company in Finland, providing special insights into the cultural and managerial practices of the case company. Future research can broaden the focus by examining formal diversity management policies towards employee retention in different culturally diverse workplaces. For instance, comparing organizations with different levels of cultural diversity, different management practices, or operating in broader geographical areas would help in increasing the contribution of the study. Comparing firms with better and poorer diversity management using SIT and JET can provide a deeper theoretical contribution. This could increase our understanding of the impact of structured diversity management policies on employee retention.

It can also be suggested for future researchers to study how a culturally diverse workforce intersects with the other variables, such as age, gender, occupation, and education. This will help to understand the influence of various factors on employee retention. Future researches could also focus on expanding sample size towards employees from various cultural backgrounds. Expanding sample size and diversity can provide a more complete image of the management of cultural diversity on employee retention.

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## Appendices

### Appendix 1. Interview Guide for Employees

Research topic	Questions
Background Information	<p>What is your job title, and how long have you been working at this company?</p> <p>What are your main responsibilities?</p> <p>Is your team culturally diverse?</p> <p>Have you worked at other companies before? If so, how do you see diversity and inclusion comparing to that company?</p>
How Cultural Diversity Affects Work	<p>Do employees from different cultural backgrounds work well together? Why or why not?</p> <p>Do you feel like you belong in your team? Why or why not?</p> <p>Do cultural or ethnic groups tend to stick together more than mix?</p> <p>Do you feel that your culture is respected in the workplace?</p> <p>Have you ever felt excluded or treated unfairly because of your background? Can you give an example?</p>
	<p>Do cultural differences affect communication and teamwork? How?</p> <p>Were there misunderstanding or challenge because of cultural differences?</p> <p>Are there any advantages from working in a diverse team?</p> <p>Do you think employees from all cultural backgrounds are treated equally? Why or why not?</p>

<p>2. How the Company Manages Cultural Diversity (Inclusion, Support, Policies – "Link")</p>	<p>Are there any initiatives or practices to support cultural diversity in your company?</p> <p>Do managers support to collaborate employees from different backgrounds? How?</p> <p>Have you received training on cultural awareness or teamwork in a diverse environment? Was it useful?</p> <p>Do managers make you feel included and supported, regardless of background?</p> <p>Do you feel safe and comfortable talking about cultural issues or concerns with your manager or colleagues? Why or why not?</p>
	<p>What helps you feel connected with your colleagues?</p> <p>What barriers make it difficult to feel fully included at work?</p> <p>What improvements could help the team work better across cultures?</p>
<p>3. How Cultural Diversity Management Affects Employee Retention (Job Embeddedness – "Fit" and "Sacrifice")</p>	<p>How satisfied are you with your current job? Why?</p> <p>What motivates you to stay in your role?</p> <p>Have you considered leaving the company? If yes, what were the reasons?</p> <p>Do you think the way diversity is managed influences employee turnover?</p> <p>Have you seen employees from diverse backgrounds leave? If so, why?</p> <p>What could the company do to help employees from diverse backgrounds stay longer?</p>

Final Thoughts	<p>If you could change one thing to improve inclusivity at work, what would it be?</p> <p>Is there anything else you'd like to share about cultural diversity or employee retention?</p>
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## Appendix 2. Interview Guide for HR professionals and supervisors

Research topic	Questions
Background Information	<p>How long have you worked in this company and what is your job title?</p> <p>How many and how diverse employees do you have?</p> <p>How does the company handle cultural diversity?</p>
How Cultural Diversity Affects Work	<p>How does your company's cultural diversity impact everyday tasks and teamwork?</p> <p>Do workers with diverse backgrounds get along well with one another? Why not?</p> <p>Have you seen staff members grouping according to culture? Does this impact teamwork?</p> <p>Do you believe that every worker feels valued at work? Why not?</p> <p>What are the main advantages and disadvantages of having people from diverse cultural backgrounds?</p> <p>Are there any problems or miscommunications at work because of cultural differences? If so, how did they manage?</p>

<p>How the Company Manages Cultural Diversity</p>	<p>How does the company ensure that employees from diverse backgrounds are accepted?</p> <p>Are there any training sessions or events for employees to working well in a diverse team?</p> <p>How can the company ensure that every employee receives the same pay, opportunities for advancement, and recruiting procedures?</p> <p>Can you give an example of a problem with cultural diversity and how it was fixed?</p>
<p>How Cultural Diversity Management Affects Employee Retention</p>	<p>Do you think employees from diverse backgrounds stay in the company as long as others? Why or why not?</p> <p>Have you noticed any trends in employees from diverse backgrounds leaving the company? What are the main reasons?</p> <p>Do you think diversity efforts help employees stay in the company longer? Why or why not?</p> <p>How difficult for you to keep employees from different cultural backgrounds?</p> <p>What are the other actions that company can take to improve both diversity and employee retention?</p>
<p>Final Thoughts</p>	<p>If you can what would you change to make the workplace more welcoming?</p> <p>Would you like to add anything further about staff retention and cultural diversity?</p>