Chapter 10
The Ethics of Employee Diversity in Different Kinds of Businesses

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Introduction

Ethics is the formal study of morally right versus wrong actions and morally good versus bad outcomes of those actions (Baumane-Vitolina et al., 2016). There can be specific systems or morality theories – as in the ethical code of a profession or an organization (London, 2021). The discipline of moral philosophy includes studying whether the particular system or theory of morality is defensible. There is a difference between a moral obligation toward individuals and civic duty to implement social preferences to improve the common good. Adam Smith (1759, VI.ii.2) distinguished between citizenship as mere legal compliance and good citizenship as the wish to promote social welfare.

This chapter concerns issues of diversity, equality (or equity), and inclusion (DEI). However, there are three different approaches to business ethics and values (Chun, 2016). Drawing on Chun, moral obligation invokes Kant: there is some universal duty independent of compassion or empathy for another person. This sense of responsibility can result from public pressure. Utilitarianism arguably justifies civic duty based on the most benefit for the largest number of people. However, this approach also may obtain a competitive advantage or a recovery from previous reputation loss. Chun emphasizes virtue theory drawing on Aristotle: it is virtuous to advance DEI. However, each hiring decision means excluding someone else: DEI is not a cost-free improvement.

This chapter focuses on diversity and inclusion in the hiring and promotion processes (Bernstein et al., 2020). Diversity and inclusion are where "cultural diversity" and "universal ethics" come into contact (Melé & Sanchez-Runde, 2013). The

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research issue is whether there must a general or universal model of diversity for all business entities or whether alternatively there can be reasonable variations reflecting cultural diversity among customers or employees. An ethical assessment focuses on whether employees have rights to diversity and inclusion or whether owners can choose. Legal compliance might mandate a general model for all businesses or permit wide variation in business owners' choice. In the latter approach, rational choices ideally should lead to simultaneous investor preferred and socially preferred outcomes (Benz & Frey, 2006).

Normatively, a firm has a "responsibility" to satisfy stakeholder claims (McGahan, 2020). Empirically, the firm's management evaluates stakeholders' salience in terms of legitimacy, urgency, and power (Mitchell et al., 1997). Stakeholder activism is about influencing firms' choices (Frooman, 1999). Activist organizations such as the Alliance for Board Diversity (founded 2004) and the Board Challenge seek to increase the diversity of boards of directors with an emphasis on female and Black directors (Choe, 2020), supported by institutional investors such as Blackrock and State Street (Joshi, 2020). Kanye West, a rapper who has Yeezy brand partnerships with individual companies, reportedly complained by Twitter that he did not have a board seat at Gap or Adidas: "Black board seats matter" (*Houston Chronicle*, 2020a).

DEI involves some standard of justice across individuals and groups. Rawls (1999a) propounded a social contract "theory of justice" in a liberal and pluralistic society (see Richardson, 2020 and Wenar, 2017 for detailed explanations of an intricate work on which this summary draws). Rawls argues that free citizens in such a society will, in a thought experiment about "original position," prefer "justice as fairness" over utilitarianism (meaning maximum aggregate welfare) and any other competing political philosophies (Rawls, 1999a, pp. 230–232). This original position is a "veil of ignorance" concerning their future condition. In detail, citizens know nothing about their possible attributes, including race or ethnicity, gender, capabilities, wealth, and so forth. In this "veil of ignorance," a citizen should assume being in the "least-advantaged" position and select rules and policies accordingly. This "justice as fairness" implies that changes from the status quo should favor the "least-advantaged" on the relevant criterion. Basic assumptions are sufficient resources for the whole set of citizens and a closed society into which there is no immigration. Rawls (1999b) relaxes the zero-immigration condition to address foreign policy issues.

The second section discusses three different kinds of domestic businesses for which employee diversity and inclusion can reflect different values and principles. The third section delineates two models of diversity and inclusion for pluralistic and homogeneous populations. Subsequent sections examine the circumstances of MNEs and then the governance bodies and top management teams of businesses. Section six discusses business case logics for diversity and inclusion compared to the ethical assessment of employee diversity considered in the previous sections. The conclusion summarizes arguments and the importance of appreciating the need for different employee diversity models and inclusion depending on the kinds of domestic businesses and the difference from MNEs operating across host countries.

Different Kinds of Domestic Businesses

The post-pandemic era may afford opportunities to reinvent the future by improving DEI (Sethi & Caglar, 2021). There are three types of domestic businesses. A neutral business has no identity or community character. Amazon in the U.S. should reflect the national population composition. (This reflection may aggregate across more specific state and local compositions.) From status quo composition, when any position (old or new) becomes available, that position should go to the best qualified of the least included category (race, gender, etc.). This principle reflects Rawls' idea that the least advantaged should benefit from any change. Amazon has no identity or community character. There are two exceptions to the Amazon model for domestic businesses. Goya is an ethnic-identity business. Goya thus can employ a specific identity group, even if providing goods and services to a broader customer population. Small companies may have a community character, which may or may not coincide with identity grouping. A small business provides employment and goods or services to a specific community by location. MNEs, illustrated by Amazon operating globally, involve balancing foreign versus domestic employees in a bargaining context.

Amazon: Diversity Orientation

Amazon employed over 1.125 million globally in December 2020, including full-time and part-time, excluding contractors and temporary personnel (Richter, 2020). Walmart employed 2.2 million globally (Richter, 2020). On December 31, 2019, Amazon (n.d.) reported the following statistics on workforce representation efforts. Proportions of global employees self-identified as female 42.7% and male 57.3%; however, among global managers, only 27.5% were female relative to 72.5% male. In the U.S., employees' racial and ethnic composition was self-identified as White 34.7%, Black/African American 26.5%, Hispanic/Latinx 18.5%, Asian 15.4%, two or more races 3.6%, and Native American 1.3%. For U.S. managers, the proportions were more unbalanced at White 59.3%, Asian 20.8%, Black/African American 8.3%, Hispanic/Latinx 8.1%, two or more races 3.0%, and Native American 0.6%. (As reported by Tallet, 2021, there is controversy over such identification labels, specifically "Latinx" – not everyone concurs on a specific label.)

Equality involves compensation in relation to job performance standards and opportunity for advancement. Amazon reported concerning 2019 compensation (combining base compensation, cash bonuses, and stock awards) that, for "the same jobs," women earned 0.993 relative to men, and minorities earned 0.991 relative to whites (Amazon, n.d.). In early 2021 (*Houston Chronicle*, 2021), Amazon announced a program to support affordable housing in three cities in which it has major hubs (King County, WA, in the Seattle area; Arlington, VA; and Nashville, TN). The program involves a planned $2 billion in loans and grants aimed at

20,000ffordable housing units over the next 5 years" (*Houston Chronicle*, 2021). The rationale is to keep employees located closer to jobs despite rising housing costs (Sorens, 2020).

In December 2020, investors in Amazon filed ten resolutions for the 2021 proxy period. The Interfaith Center on Corporate Responsibility (ICCR) (n.d.) organized this proxy effort. One resolution, by Oxfam America, the Rhode Island Office of the General Treasurer, and the State of Vermont Treasurer's Office, proposed that an hourly worker ("hourly associate") be nominated for the board of directors. Another resolution, by the New York State Common Retirement Fund, proposed an assessment of the impact on "civil rights, racial equity, diversity and inclusion" including "input from employees and civil rights groups" (Kishan, 2020). A third resolution proposed a report on combating hate speech. Another resolution proposed workforce diversity improvement by including "qualified" women and minorities.

In June 2020, Apple announced a $100 million Racial Equity and Justice Initiative (REJI) to invest in improving "opportunities for people of color across the country" (Carlson, 2021). The most recent Apple diversity report states that 53% of new hires come from "historically underrepresented groups in tech including women and people who identify as Black, Hispanic, Native American or Native Hawaiian & Other Pacific Island" (Carlson, 2021). The reported 2018 tech employee composition was: Anglo 45%; Asian 35%; Hispanic 8%; Black 6%; and 1% Native American or Native Hawaiian or Other Pacific Islander (Carlson, 2021).

Goya: Ethnicity Orientation

The family history of businesses can matter (Morales, 2021). Founded in the 1930s in New York City by two Spanish immigrants and now headquartered in Jersey City, New Jersey, Goya Foods, Inc. makes and sells Latino and Caribbean cuisine products. Remaining under the founding family's control, Goya has over 4000 employees (Goya, n.d.). Many of the employees are Latino (Ortiz, 2020). The firm has 26 facilities across the U.S. and in Puerto Rico, the Dominican Republic, and Spain (Goya, n.d.). Goya is the largest Hispanic-owned food company in the U.S. (Goya, n.d.). Goya became politically notable in July 2020 when at a White House meeting with President Trump for the Hispanic Prosperity Initiative, the Goya CEO praised the President. The result was an attempted boycott by Democratic Party politicians and a subsequent "buycott" supporting Goya (Ortiz, 2020). In December 2020, Goya named a Democratic Congresswoman "employee of the month" because her boycott had resulted in a considerable increase in sales (Moore, 2020).

Small Local Businesses

McDonald's is a set of local franchises, comprising about 90% of U.S. locations (McDonald's, n.d.). This circumstance is arguably different from Amazon's. Each franchise operates in a particular place with particular employees and customers. The policy issue in franchising is whether McDonald's should impose a general requirement. In August 2020, 52 Black franchisees filed suit for $1 billion in compensation, alleging McDonald's discriminated in favor of White franchisees; McDonald's denied the allegations (Gunn, 2020).

Such companies are hybrids positioned between the Amazon model and the Goya model for this chapter. Each location, including corporate-owned, operates in a particular set of social conditions. A privately owned and operated small business is often a location-specific entity. Small companies may have a distinctive community character, which may or may not coincide with identity grouping. A small business provides employment and goods or services to a specific community by location. While such entities are likely to balance employee and customer populations, there may be a reasonable exception for family-owned entities. Such businesses are apt to employ relatives.

Models of Diversity and Inclusion

Despite a sizeable supporting literature (Garg & Sangwan, 2021), diversity, equality, and inclusion are not non-controversial ideas (Bernstein et al., 2020; Frémeaux, 2020; Ng & Rumens, 2017; Oswick & Noon, 2014). Concerning equality, if a person is qualified for a position, then reward should be commensurate with qualifications and position responsibilities. A study identifies a five-factor model of diversity and inclusion but regards the two ideas as "different approaches to diversity management" (Roberson, 2006, p. 212). Diversity requires inclusion to be effective (Sherbin & Rashid, 2017).

There is a difference between a mandatory "legal case" and a voluntary "business case" (Williams, 2017). In a business case, "benefits of inclusion seem to accrue to everyone. It is easy to explain the appeal of the business case for diversity: it merges the goals of racial inclusion with business profitability and corporate interests" and is non-coercive, unlike mandatory legal requirements (Williams, 2017, p. 1473). That author argues, however, that "there is little-to-no evidence that the business case for diversity actually reduces bias and promotes racial inclusion" (Williams, 2017, p. 1473). That author, based on experimental research, argues that the legal case is more effective in practice and has a "stronger normative influence" "on individual values, beliefs about inequality, and behavior" (Williams, 2017, p. 1473). In the business case, the "emphasis on corporate interests actually generate negative beliefs about inclusion and more biased decision making" (Williams, 2017, p. 1473). There is a risk of over-representing the desired group in a mandatory approach and under-representing that preferred group. In France, a 2012 law required gender balancing in top government positions. In 2018, the female mayor of Paris placed 11 women in 16 of the top city jobs. The action resulted in a fine (in December 2020) of nearly $110,000 for being too high in women's number. This problem resulted in a 2019 amendment to the law to provide for no fines for disproportionate hiring in a given year if "the overall gender balance was respected" (*Houston Chronicle*, 2020b).

Some 15 countries, mostly in Europe, reportedly have required board gender quotas (de Caboa et al., 2019). In Norway, the approach was a "hard law" requirement for board gender quota. The first instance of a "soft law" quota was the 2007 Spanish Gender Equality Act that recommended a target of 40% of each gender for boards by 2015. The incentive was a preference in public contracts. For this natural experiment, De Caboa et al. (2019) tested a sample of 2786 firm-year observations (2005–2014) for a panel of 767 Spanish firms using a difference-in-differences model. They report less than 9% full compliance, with increased female representation higher for firms dependent on public contracts. They also note that compliant firms did not benefit from the potential incentives. The implication is that "soft law" did not significantly increase board gender balancing.

A fundamental question concerns whether owners intend employee composition to reflect (1) customer composition or (2) preferences concerning employees. The two approaches may be different. The most robust case for diversity and inclusion occurs when the business selects a policy that fits its conditions and advances a common good. The difficulty lies in defining the common good (Sison, 2016; Sison & Fontrodona, 2013). Frémeaux (2020) argues that there is an ethical risk with each of the three approaches (equality, diversity, and inclusion). The trouble is the approach winds up focusing on either the community level (in which case the individual is not essential) or the individual level (in which case the community is not necessary) or based on a particular discipline (economic, social, or moral). The advantage of the common good approach is that it mitigates those ethical risks. "There are three positive aspects to a comprehensive common good perspective: (1) it includes considering different community levels, which it connects by subsidiarity, (2) it embraces the moral, social, and economic fields, which it connects by teleological hierarchy, and (3) it avoids the risk of exclusion by generating a sense of solidarity" (Frémeaux, 2020, p. 200).

Two different models illustrate. One model concerns a highly pluralistic population – meaning highly diversified, as in the U.S. Figure 10.1 depicts this model. A business seeks to include multiple categories of employees. The other model concerns foreign immigrants' addition to a relatively homogeneous nation, as in Germany or Sweden. Figure 10.2 depicts this model. The proposed figures are illustrative rather than prescriptive.

	Socially Relevant Characteristics		
Race, Ethnicity	Gender (male, female)	Sexual Orientation	Other […]
A			
B			
C			
H			
Other […]			

Fig. 10.1 Employee categories in a pluralistic population (United States)

	Socially Relevant Characteristics		
Status	Gender (male, female)	Sexual Orientation	Other […]
Domestic Citizen			
Foreign Immigrant			
Other […]			

Fig. 10.2 Employee categories in a homogeneous society admitting foreign immigrants (Germany, Sweden)

Model for a Pluralistic Society

Figure 10.1 separates race and ethnicity (along the left-side vertical stub) from gender and sexual orientation (along the top horizontal stub). "Other" rows or columns permit the expansion of employee categories. In the U.S., there are large populations of Asians, Blacks, Caucasians, and Hispanics. However, individuals might and do self-identify race and ethnicity differently – resulting in an adjustment of the race and ethnicity column categories. In the conventional model, socially relevant characteristics focus on gender and sexual orientation. A business might decide to include economically disadvantaged or disabled employees or military veterans – resulting in an adjustment of socially relevant characteristics. Figure 10.1 does not seek to prescribe the relevant categories but only to illustrate the pluralism model.

Model for a Homogeneous Society with Immigration

Figure 10.2 illustrates a relatively homogeneous population, to which the society (or at least the government) opts to add foreign immigrants. Figure 10.2 is a reduced and modified version of Fig. 10.1. The left-side vertical stub differentiates between domestic citizens and foreign immigrants. Racial and ethnic classifications might depend on the composition of immigration. The top horizontal stub remains the same unless changed by national preferences. Since 1990 reunification, Germany has engaged in the process of merging the communist (East) German Democratic Republic (GDR) with the liberal (West) Federal Republic of Germany (FRG). A much larger proportion of West Germans than East Germans view themselves as "Germans"; there was an even stronger anti-immigration reaction in former East Germany to the September 2015 decision of the federal government to admit over one million refugees (Sauerbrev, 2019; see Gramlich, 2019).

MNE-Host Country Relationships

An MNE operates in a foreign country into which it brings resources. An MNE involves a balancing criterion concerning foreign imported labor (typically managerial) versus domestic employees. This balancing criterion has a bargaining dimension defined by host-country requirements and the relative bargaining power of an MNE and a host country.

Figure 10.3 depicts the situation. The top horizontal stub focuses on socially relevant characteristics. The left-side vertical stub focuses on the difference between domestic labor and imported labor. The less expatriate labor MNEs need to import, the better the situation is for the host country; but MNEs may want to retain expatriate managerial control of local operations.

The conventional approach in the literature is the "obsolescing bargain" model introduced by Vernon (1971, p. 46). In this model, the MNE begins with its strongest position: it does not have to enter a particular country for operating. As the MNE commits resources in a specific country, its bargaining power declines because of the exit opportunity cost. Therefore, the host country gains bargaining power. The literature modified and extended the "obsolescing bargain" idea into a broader and more dynamic "bargaining power model" (Eden et al., 2005; Nebus & Rufin, 2010; Ramamurti, 2001). The development has been toward a more "holistic framework" of bargaining, including MNEs, domestic governments, and NGOs (Müllner & Puck, 2018). The "obsolescing bargain" model was static and bilateral. The modern bargaining approach is "dynamic" and "multi-party." The MNE can shift the balance of power to its advantage through a broader set of options, including reducing its investment sunk costs or improving access to alternative investment options on the one hand and increasing host sunk costs, and reducing host access to competitors (Müllner & Puck, 2018). Müllner and Puck use a case study of the Venezuelan oil industry to identify various MNE options for influencing the balance of power (see Orazgaliyev, 2018).

	Socially Relevant Characteristics		
Status	Gender (male, female)	Sexual Orientation	Other […]
Domestic Labor			
Imported Labor			
Other […]			

Fig. 10.3 Employee categories in MNE-host country bargaining

Governance Boards and Top Management Teams

A fundamental issue occurs within the hierarchical structure of a publicly traded business. Diversity and inclusion are much less evident within the C-Suite or Top Management Team (TMT) and the board of directors. Executive and director positions are limited (see Rogers, 2021).

California has led the state-level effort in the U.S. to require boards to include females and underrepresented communities. California Assembly Bill 929, enacted in 2020, requires mandatory inclusion on a fixed schedule (Chase & Kazmierowski, 2020). By the end of 2021, there must be at least one member of an underrepresented community; by the end of 2022, at least two for boards of 4-to-9 members and at least three for boards larger than nine members. Underrepresented communities are self-identified as "Black, African American, Hispanic, Latino, Asian, Pacific Islander, Native American, Native Hawaiian, gay, lesbian, bisexual or transgender." The California Secretary of State will report annually beginning March 1, 2022. There are fines for failure to file required reports and to satisfy the representation requirement. The requirement applies to publicly held companies either chartered or headquartered in California: there are some 625 such companies (McGreevy, 2020).

In 2018, California Senate Bill 826 ("Women on Boards") similarly required at least one female director by December 31, 2019 (California Secretary of State, n.d.). The requirement applies to all corporations with principal executive offices in California. Two or three female directors must be in place by December 31, 2021, depending on board size (five directors and six or more directors, respectively). In 2018, 25% of affected California corporations had no female director (California Secretary of State, n.d.). If so, the law makes mandatory a widespread practice (at 75% of boards). As with the 2020 law, there are the same financial penalties for noncompliance. A Credit Suisse study of more than 2000 companies worldwide concluded that female representation on boards associated positively with key performance metrics, including stock performance (Kumar, 2018).

Other states seeking to increase board diversity by direct regulation include Hawaii, Massachusetts, Michigan, New Jersey, and Washington (Joshi, 2020). Illinois (August 2019) requires annual disclosure reporting and policies and practices for increasing diversity among executives and directors; the University of Illinois is to develop a rating system based on the reported information (Chase & Kazmierowski, 2020; Joshi, 2020).

The U.S. has lagged behind Europe for female diversity on governance boards. In 2003, Norway required publicly listed firms to allocate at least 40% of board positions to women. Other European countries, including France, Spain, and Italy, followed (Joshi, 2020). Some 15 countries, mostly in Europe, reportedly have now required board gender quotas (de Caboa et al., 2019).

The most recent Deloitte report studied 8648 companies in 49 countries (Deloitte, 2019). Women held percentages of board seats at 41% in Norway, 37.2% in France, and 33.3% in Sweden. The ratio in the U.S. was 17.6% (Deloitte, 2019, p. 6). The study found women holding 16.9% of board seats and 12.7% of CFO roles globally, but only 5.3% of chair positions and 4.4% of CEO roles (Deloitte, 2019, p. 5).

Some evidence suggests that C-Suites are not diversifying as quickly as boards of directors. This difference raises the issue of whether board diversification is "window dressing" (Reed, 2019). Reed points out that while the Wells Fargo board is roughly two-thirds women and minorities, the all-white executive ranks in 2015 comprised seven men and three women. Similarly, in 2015 Johnson & Johnson had a board with a high composition of women and minorities, while the all-white executive ranks comprised five men and one woman.

The vital question is whether diversity in the executive and director ranks improves the performance of the firm. Generally, the available empirical evidence supports a positive association between performance and board diversity (Manyaga & Taha, 2020). However, a difficulty in empirical evidence is that governance approaches vary considerably across countries (see Block & Gerstner, 2016; Ringe, 2016). Germany has a two-tier board structure, with a management board and a supervisory board including labor representatives. The German Corporate Governance Code of 2002 is the current guide (Strenger, 2018). One author studied whether South Africa should adopt the German approach or not (Muswaka, 2014). The choice is between a shareholder-owned governance system (South Africa) and a stakeholder-oriented governance system (Germany) (Muswaka, 2014). The variation in governance systems may be more complicated. A report compares governance systems in Hong Kong, Germany, and Japan (Datwani et al., 2018). Hong Kong is a single board approach, Germany is a dual-tier board approach, and Japan features a hybrid board structure. Countries like Germany include China, Indonesia, and Russia (Datwani et al., 2018). Japan affords board structure options: a board of statutory auditors, a model involving three committees, and a model involving an audit and supervisory committee (Datwani et al., 2018). A related vital issue is whether supervisory boards have much influence. A study of governance in China suggests that a better approach would be to shift the supervisory board's role, handicapped by limited power and internal conflicts among the interests, to independent directors (Smith & Tian, 2020).

The Business Case Logics

Evidence suggests the validity of a business case for DEI (Richard et al., 2021). There are two kinds of "business case" for a company policy or practice. One business case links the policy or practice to financial performance. Even if there is a reasonable relationship between investing in a policy or practice and the financial return on that investment, the relationship might be curvilinear and lagged, such that a substantial investment must occur and the return may be delayed (Nuber et al., 2020). Another business case is strategic: one can argue for a good relationship between investing in a policy or practice and the business's longer-run sustainability. The case for diversity is not in the numbers as such (Knowledge@Wharton, 2007). Moreover, the compelling case for diversity may concern the common good and not the business effects, although strategically, a firm may elect to align employee and customer compositions (Unzueta & Knowles, 2014).

Joshi (2020) summarizes two important empirical studies reporting a positive association between diversity and financial performance. McKinsey and Company (2018) studied over 1000 firms in 12 countries. The study of gender diversity and ethnic and cultural diversity at various levels of the firm measured both profitability defined as "earnings before interest and taxes" (EBIT) and economic profit (value creation). The study concluded that more-diverse firms financially outperform less-diverse peers in the same industry. A Boston Consulting Group (BCG) study (Lorenzo et al., 2018) concluded that firms with above-average management diversity generate higher innovation revenues. In general, gender diversity associates with superior firm performance in the 2019 edition of the Credit Suisse C.S. Gender 3000 report (Credit Suisse, 2019).

A study of a sample of German listed companies (1995–2015) reported that parity codetermination at the board level reduced deviation from the estimated net hiring optimum (Lopatta et al., 2020). The estimation concerns variations from optimal investment in labor due to under hiring (too few employees for profitable projects) and over hiring (too many employees assigned to non-profitable projects). Parity codetermination in German listed companies improved labor investment efficiency.

Providing a business case has become a standard approach in suggesting a valid link for a policy or practice directly to financial performance or, more indirectly, to strategic sustainability. The idea of a business case is somewhat controversial when applied outside a conventional business project. "The problems arise because the business case may not actually motivate managers to act, it may be alienating to those for whom the business case is being made, and it may create moral struggles for the people who feel they must make the business case to justify social action" (Kaplan, 2020, p. 1).

For example, building on Lopatta et al. (2020), suppose a plant requires 100 workers at optimum efficiency. To improve diversity, the plant adds ten more workers; and these additional workers detract from optimum efficiency. The issue is whether the management preference for increased diversity is a sound business decision since reflecting in part subjective considerations (Hafenbrädl & Waeger, 2017). There is a short-term financial cost; in the longer-term, the action might increase sustainability in improved governmental and stakeholder relationships.

There is a critique of the business case rationale. The typical reasoning is that voluntary corporate social responsibility (CSR) is beneficial to the business (Carroll & Shabana, 2010; Kurucz et al., 2008). An extensive literature has attempted to establish a positive association between CSR and financial performance. However, a reasonable interpretation of the varied findings in this literature is that, on average, even a positive association is likely to be small at best. Barnett (2019) argues that the business case literature typically identifies the benefits of managing stakeholders rather than the benefits of CSR as such. Responsiveness to influential stakeholders is not the same as CSR activities – which might conflict with those stakeholders' interests. Specific social and environmental targeting of CSR activities for the greatest social impact and greatest business performance requires a better understanding of cause-and-effect relationships beyond the statistical associations on which the conventional literature rests (Barnett et al., 2020).

Conclusion

This chapter examines the question of assessing the ethics of employee diversity in different kinds of businesses. The basic argument developed is that there can be various kinds of businesses. Neutral businesses, illustrated by Amazon, should include the diversity of the population. An ethnic-identity company, represented by Goya, can reflect its historical origins and emphasize employee hiring accordingly. That is, an ethnic-identity business can properly not reflect the diversity of the population. The reasoning arguably extends to gender (non-male) and immigrant status. Small local businesses fall into a category in which the entity balances employee and customer populations. However, an important exception exists for family-owned entities that are most likely to employ relatives.

The importance of considering the ethics of employee diversity involves two dimensions that can be in tension. There are two potential solutions to employee diversity and inclusion in a pluralistic society like the United States. One solution, illustrated by Amazon, is that a company should reflect the population's diversity – at employee, top management, and governance board levels. This solution has an ethical foundation in the crucial task of social integration and equality of opportunity. Another solution, illustrated by Goya, is that a company can reflect its historical background. The employee composition may differ from the customer composition and the diversity of the population. The ethical foundation is that the employee composition is from an ethnic minority group likely to be underrepresented. A variation on these two solutions occurs in a relatively homogeneous country such as Sweden, where there is an essential issue of integrating immigrants from different cultures into employment opportunities. Some of those employment opportunities may occur through immigrant-founded businesses such as ethnic restaurants. Small companies may reflect family ownership and arguably have greater liberty to determine how to balance employee and customer compositions. MNEs face an entirely different problem in the bargaining relationship with host countries. The host country may want to import resources but also to stimulate employment opportunities for its population.

Ethics is action-oriented, rather than being a philosophical abstraction. Creary (2020) proposed four principles for promoting workplace racial justice: (1) transparency; (2) compassion; (3) bold anti-injustice strategies; and (4) non-apologetic commitment to equity through zero tolerance for racism and injustice. Creary and Rogers (2021) proposed three commitments for the board of directors: (1) racially inclusive; (2) empowerment to discuss racism and injustice; and (3) personal accountability and responsibility of directors for progress. Creary (2020, No. 3, Para. 1) argues that leadership should emphasize DEI goals, work, training, and sponsorship to shift DEI to "core, rather than peripheral, work."

Key Chapter Takeaways

- A social norm promotes diversity and inclusion for a large class of businesses, illustrated by Amazon.
- The norm holds for pluralistic societies such as the U.S. and homogeneous societies such as Sweden integrating diverse immigrants.
- Goya illustrates a reasonable exception for ethnicity-oriented businesses.
- Small local businesses balance employee and customer compositions.
- MNEs bargain with host countries over DEI issues.
- Moral obligation to individuals and civic duty to implement social preferences for the common good can be different.

Five Reflective Questions

1. What are ethical criteria for admitting reasonable exceptions to the general social norm for diversity and inclusion?
2. Do the ideas for the general social norm and reasonable exceptions extend to equality or equity issues concerning compensation and advancement opportunities?
3. The chapter cites evidence that top management teams and boards of directors are not sufficiently diverse and inclusive relative to the employees. How well do mandatory requirements work to increase progress at the top of neutral businesses like Amazon?
4. Do MNEs have a moral obligation to promote diversity and inclusion in their global employee set across host countries?
5. Are the business case logics likely to reinforce or resist moral obligation and civic duty concerning DEI?

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