

Diversity, Equity, and Inclusion in Small and Medium Enterprises

Diversity, Equity, and Inclusion in Small and Medium Enterprises

Concepts, Cases, and Managerial Perspectives

Edited by

AUŠRINĖ ŠILENSKYTĖ

Assistant Professor of International Strategic Management, School of Management, University of Vaasa, Finland

MARGARET FLETCHER

Professor and Chair of International Business, Adam Smith Business School, University of Glasgow, UK

JURGITA BUTKEVIČIENĖ

Associate Professor, Faculty of Economics and Business Administration, Vilnius University and Kaunas University of Technology, Lithuania

CHENTHURAN JAYTON

Daniels College of Business, University of Denver, USA



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List of contributors

Anita Boey, Ph.D., is an Assistant Professor of Human Resource Management at the DeGroote School of Business, McMaster University, Canada. Anita is an award-winning educator and learning designer passionate about building inclusive, experiential, and future-focused learning environments. She specializes in curriculum innovation, with recent work redesigning core courses to integrate entrepreneurial thinking, real-world problem-solving, and cross-disciplinary collaboration. Her approach emphasizes authentic assessment, student engagement, and meaningful project-based learning. She is passionate about improving student engagement, fostering global competencies, and exploring how emerging technologies can enhance teaching and learning.

Jurgita Butkevičienė, Ph.D., is an Associate Professor at the Faculty of Economics and Business Administration at Vilnius University, Lithuania, and the national project manager of the DEI4SME project at Kaunas University of Technology. Her research and teaching focus on entrepreneurship, inclusive entrepreneurial ecosystems, institutional change, digital transformation, and social sustainability. Her research has been published in internationally recognized journals, including the *Journal of International Management* and the *International Journal of Disaster Risk Reduction*, and with leading academic publishers such as Palgrave Macmillan, Edward Elgar Publishing, and Routledge. Her work examines how institutional innovation, digital transformation, and inclusive policies shape entrepreneurial ecosystems and sustainable business practices. Dr. Butkevičienė brings more than 20 years of professional experience across business, government, and non-governmental sectors. She is the Lithuanian representative of the global foresight think tank The Millennium Project and an active member of the Academy of International Business and the Academy of Management.

Michael Christofi is Professor of Management, Entrepreneurship, and Innovation. He is Senior Editor of *Information Technology & People* and

Associate Editor of *International Marketing Review*. Michael's research has been cited over 10,000 times, leading him to be ranked among the top 2 per cent of scientists from Stanford University. His research work has been published in premier publication outlets, such as in *Journal of Product Innovation Management*, *Risk Analysis*, *British Journal of Management*, *Journal of World Business*, *Journal of Business Ethics*, *Technovation*, *Human Resource Management Review*, *Journal of Business Research*, *Technological Forecasting & Social Change*, *International Journal of Human Resource Management*, *International Business Review*, and *International Marketing Review*, among others. He has also co-authored several book chapters and won various awards for his research work and academic service. He has also guest-edited more than 20 special issues of leading academic journals, such as *British Journal of Management*, *Journal of Business Ethics*, *Technovation*, *International Journal of Entrepreneurial Behavior and Research*, *European Journal of Marketing*, *Journal of Business Research*, *Technological Forecasting & Social Change*, *International Marketing Review*, and *European Management Journal*, among others.

Tiphaine Delecour is a Doctoral Researcher and Project Coordinator at the School of Management at the University of Vaasa, Finland. Her academic research focuses on strategy implementation in international strategic management and social sustainability, including the role of social sustainability in shaping long-term organizational performance and adoption of advanced technologies, such as artificial intelligence. As a coordinator, backed by years of experience in project management, she works on projects with European and global reach, exploring themes related to social and environmental sustainability. Before launching her academic career, Tiphaine held positions in the business world, specifically in international sales and business development. Tiphaine has volunteered and held board member position for associations in Finland and in France. She coordinated several international projects led by the University of Vaasa research teams and helped develop local and international projects and conferences, such as the annual global event *X-Culture Global Symposium*.

Sniazhana Diduc, Ph.D., is a researcher and lecturer at the University of Vaasa, Finland. Her Ph.D. is in Economics and Business Administration. Her work focuses on the complexities of mergers and acquisitions. She specializes in the human and organizational aspects of post-merger integration, with particular attention to how integration managers, teams, and multinational organizations navigate change and uncertainty. She is an affiliate member of the European M&A Institute. Sniazhana has received multiple awards for her peer-reviewed research and is an active member

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of several prominent international management associations. Beyond her research, she contributes to initiatives addressing digital transformation and skills development by implementing an EU-funded project supporting business students in developing digital competencies. In her teaching, she champions collaborative and engaging environments, focusing on themes such as sustainability, international business ethics, and cross-cultural management. She is deeply committed to mentoring the next generation of scholars through the mentoring programme, thesis supervision, and the cultivation of impactful learning experiences.

Mirella Flammengo is a Project Manager in the R&D Department Room 466 at the Styrian Chamber of Commerce in Graz, Austria. Her work focuses on projects related to talent management, social sustainability, and innovative learning formats in vocational education and training. After completing her education at a higher tourism school, she spent a voluntary social year working in a daycare centre for people with disabilities. This experience led her to study sociology at the University of Graz, where she further developed her interest in social dynamics, inclusion, and processes of societal and organizational change.

Margaret Fletcher is Professor of International Business at the University of Glasgow. Her research interests include internationalization, international entrepreneurship and small firm policy. She has numerous journal and book publications. Margaret chaired the Adam Smith Business School's Athena Swan Gender Equality Award. She was a founding member of the Academy of International Business (AIB) shared interest group for education and learning where she leads teaching innovations. She previously served the AIB UK and Ireland chapter as doctoral convenor, and equality and diversity officer where she launched Women's mentoring.

TL Hill, Ph.D., is a Professor of Management at Temple University's Fox School of Business in Philadelphia, USA. At Temple, TL teaches experiential courses for MBA and doctoral students and co-founded Fox Management Consulting, Fox Board Fellows, the Translational Research Center, and the Executive DBA. TL conducts theory-focused research into the social mechanisms of network governance, the interplay between social legitimacy and political risk, and organizational attempts to connect Indigenous and capitalist knowledge and value systems. TL also does practical action research on the social impact of social ventures and best practices in experiential education. Before becoming a professor, TL was a managing director and editor for New Society Publishers and a consultant for nonprofits, small businesses, and family-owned firms.

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Iyke Ikegwuonu Jr is a Lecturer in International Business and Venture Creation at the Adam Smith Business School, University of Glasgow, UK. He joined the university in 2019 after more than 15 years working in economic development with Scottish local authorities, including senior roles in Glasgow and Edinburgh. His work focuses on inclusive entrepreneurship education, with a strong emphasis on experiential and practice-based learning. As Course Coordinator, he integrates venture simulations, practitioner engagement, and applied market research to mirror real entrepreneurial environments for students. His research contributes to debates on team-based learning, entrepreneurial networks, SME innovation, and inclusive assessment in higher education. Alongside his academic role, he is an active entrepreneur and founder of Seedgap UK, an international educational consultancy. He also collaborates with investors, universities, and development partners on technology and healthcare initiatives linking the UK with emerging African innovation ecosystems.

Chenthuran (Chenthu) Jayton is a Diversity, Equity, and Inclusion (DEI) practitioner with nearly 20 years of experience across education, non-profit, and government sectors. He is currently a Doctoral Candidate at the University of Denver's Daniels College of Business. Chenthu holds a Bachelor of Science in Political Science and Legal Studies and a Master of Science in Counseling, shaping his approach to DEI through an understanding of both human experiences and institutional systems. His research examines how DEI systems are embedded within organizations, particularly in politically contested or resistant environments. He is especially interested in how institutions operationalize equity initiatives while navigating structural and cultural barriers. Chenthu currently serves as the Equity and Accessibility Consultant at the Denver Public Library, a large publicly funded organization overseen by local government. Originally from Colombo, Sri Lanka, his commitment to inclusion is deeply shaped by growing up in a country marked by ethnic conflict.

Tauno Kekäle, Ph.D. in Business Economics, has been working as a project manager and EU affairs manager at Merinova Oy, a Vaasa-based, privately owned development company, since 2020. His current work covers both project management and obtaining EU funding for the Vaasa region. Earlier in 2010–19, Kekäle worked as the Rector of Vaasa University of Applied Sciences, and in 2002–10, he was Professor of Industrial Management at the University of Vaasa, a position he still holds part-time. Previously, he has also acted as the CEO of Research Center Conradi Oy, a joint venture between the University of Vaasa, the Vaasa universities of applied sciences and Merinova Oy, from 2000–02. Prof. Kekäle's doctoral

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dissertation from 1998 examined the prerequisites for the success of quality management models in different organizational cultures. Kekäle has also gained experience in training in quality management over the years.

Aaron Kiverä is a Research Assistant at the School of Management, DEI4SME (Erasmus+) project with a wide cross-disciplinary research experience. He has a dual Bachelor's degree in Statistics and Psychology from the University of Groningen, Netherlands, and to further enhance his cross-disciplinary knowledge, he is currently completing a Master's degree in Finance at the School of Accounting and Finance at the University of Vaasa and a degree in translational medicine at the University of Helsinki. With Aaron's strong focus on statistics, data analytics, and quantitative research, he has contributed to numerous local and international projects, including statistical analysis and handling research data on social sustainability in small- and medium-sized enterprises (SMEs) in the DEI4SME (Erasmus+) project, and currently works in a research group with a focus on online fraud and crime. Previously, Aaron has also gained hands-on experience as a statistical analyst in a medical research project, where he managed data workflows, selected and executed statistical tests, and contributed to the development of a peer-reviewed publication. His experience further extends to data analysis for a hospital district in Finland during the COVID-19 pandemic, where he helped analyse healthcare data to support clinicians. Driven by a deep interest in using data to solve real-world problems, Aaron is committed to uncovering patterns and insights that lead to smarter, more responsible decision-making in business and society. His work is grounded in a strong analytical mindset and a belief in the power of quantitative research to clarify complexity and drive impactful solutions.

Susanna Kultalahti, Ph.D., is a Senior University Lecturer at the University of Vaasa's School of Management. She is a member of the Human Resource Management research group, which is the largest in its field in Finland. Her areas of teaching include leadership, knowledge management, and performance management. Additionally, she works as Academic Head of Education at the University of Vaasa's Teaching and Learning Innovation Center. Susanna completed her doctoral dissertation in 2015 on Generation Y in working life. Since then, she has participated in several projects studying, for example, human resource management in SMEs and municipal organizations. Additionally, she has been involved in projects related to work-life skills and work well-being management. In addition to teaching, research, and projects, she has trained dozens of organizations on leadership, age management, and young employees. She

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has experience in board work in companies and is currently serving on the University of Vaasa's board.

Rumy Narayan is a Postdoctoral Researcher at the University of Vaasa, School of Management, in the Strategic Business Development research group. Her doctoral dissertation focused on market shaping and sustainable energy transitions and multidisciplinary research explores the intersection of sustainability transitions, the circular economy, and emerging technologies like blockchain and AI. She is currently involved in the DIGI-ME project (2024–28), investigating digital skills for transformative innovation. Before her academic career, she worked as a journalist and sustainability consultant, bringing a diverse professional background to her work in environmental law and strategic sustainability.

MacDonald Oguike brings extensive industry experience in Education and International Human Resources accumulated over 20 years in job functions within the public, private, and nonprofit sectors. This experience covers job roles and consulting projects across five continents, immersing himself in various global business cultures, including North America, Europe, South America, Asia, and Africa. His work experience includes holding critical roles in different organizational structures, such as start-ups (Senior Leadership and Board level roles), mid-sized (middle-level leader role), and large business organizations (frontline leadership and specialist roles). MacDonald is a Doctoral Degree (Ph.D.) Candidate in Economics and Business Administration with a specific focus on International Human Resource and Organizational Management at the University of Vaasa, Finland. His qualifications include an M.A. in Education Management and a Bachelor of Arts. He also holds certificates in Business Analysis and Project Management.

Joana Ramanauskaitė, Ph.D., is an Associate Professor at the Sustainable Management Research Centre at the School of Economics and Business, Kaunas University of Technology. Her research interests are in corporate sustainability, sustainability transition, and quality management. The researcher participates in international study projects funded by Erasmus+ and research projects funded by the Research Council of Lithuania.

Elzė Rudienė, Ph.D., is an accomplished researcher at Vilnius University (Lithuania), specializing in consumer behaviour and digital marketing. Her research portfolio demonstrates strong expertise in understanding how digital platforms shape consumer attitudes and purchasing decisions. Her work bridges theoretical rigour with practical relevance, making

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significant contributions to understanding consumer behaviour in the digital age while addressing contemporary challenges in sustainability and responsible consumption. Dr. Rudienė brings more than 20 years of professional experience across the business sector as well.

Joe Schembri, Ph.D., is a Researcher, Trainer, and Adviser in International Business and Management. As part of the Faculty of Economics, Management and Accountancy at the University of Malta, Joe teaches International Business and Leadership primarily. His Ph.D. is from the Adam Smith Business School at the University of Glasgow, with a dissertation on how knowledge-intensive firms develop international opportunities. Joe worked in strategy, policy, and international business development in the public sector prior to joining academia and founded a training company prior to that. At the University of Glasgow, Joe worked with Prof. Pavlos Dimitratos, Prof. Trevor Buck, and Prof. Margaret Fletcher on a dissertation that used multiple case studies to investigate the internationalization trajectories of knowledge-intensive firms based in Malta. During the doctoral process, Joe's work won an award for 'The most original new work' from the Academy of International Business (UK and Ireland). His research has been published in the *International Business Review*, the *Journal of World Business*, and the *World Encyclopaedia of Entrepreneurship*.

Julianne Sellin is an Assistant Professor of International Business at Loyola University Maryland (USA). She received her Ph.D. from Temple University. Her research examines how multinational firms adjust their global strategies in response to sustainability pressures and political change. She studies issues such as decarbonization, supply chain governance, and cross-border innovation under regulatory and geopolitical disruption. Her work has been published in *Long Range Planning* and the *Journal of International Management*, and she has authored several international business teaching cases. She teaches sustainability management and international business at the undergraduate level.

Aušrinė Šilenskytė, Ph.D., is an Assistant Professor of International Strategic Management at the University of Vaasa, Finland. Her research examines strategy implementation, responsible adoption of advanced technologies, including AI and blockchain, in international business, and social sustainability, with additional interests in inclusive and innovative business education. She has held leadership positions in the Academy of International Business (AIB), serving as Chair and Vice Chair of the AIB Teaching & Education Shared Interest Group, and is an Honorary

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Board Member of the group. Aušrinė is also a Founding Governing Board Member of the AIB-CIBER Doctoral Academy and an Editorial Board member at the *Journal of Teaching International Business*. She teaches international management across undergraduate, master's, executive, and continuous-education programmes, and has received several international awards for her research and teaching. Before academia, she worked in managerial roles in Lithuania and Egypt. She consults international firms and has led multiple international industry-academia collaboration projects, including the DEI4SME (Erasmus+) project, within which this book was developed.

Emil Velinov is a Researcher, Lecturer, and Adviser in International Business, Leadership, and Cross-cultural Management. As part of the faculty at RISEBA University of Applied Sciences, he teaches courses related to international management, strategy, and global business development. He holds a Ph.D. in International Business and focuses his research on internationalization processes, emerging markets, and cross-cultural leadership. Prior to and alongside his academic career, Emil has been involved in consulting, executive training, and international business projects across Europe. His research explores how organizations expand internationally and manage cultural and institutional differences in global markets. His work has been presented at leading international conferences and published in peer-reviewed journals such as *Journal of Teaching International Business* in the fields of international business and management.

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The hackathons organized by the DEI4SME team were instrumental in the book's development. These events brought together practitioners, scholars, and innovators, whose collective creativity and problem-solving produced the real-world cases that form the core of this volume. We are profoundly grateful for the energy, insight, and openness of all participants.

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We also extend heartfelt appreciation to all chapter authors. Their expertise, commitment, and scholarly contributions shaped the intellectual richness of this publication. Many of the authors collaborated closely with practitioners and communities whose perspectives are often under-represented in business education, ensuring that the cases and analyses presented reflect the real experiences faced by contemporary organizations. Editing an international, multi-author volume is always a demanding process, and we thank them for their collaboration, flexibility, and dedication to quality throughout.

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To all of them: thank you. This book is as much yours as it is ours.

Aušrinė, Margaret, Jurgita, Chenthu

Note on supplementary online materials

The cases included in the book contain brief summaries and reflection questions and can be used independently by managers, learners, and other readers to reflect on the managerial situations and perspectives presented.

Additionally, this book is accompanied by a set of supplementary online materials designed to support deeper learning and effective classroom use.

- Chapter 4 includes access to extended statistical analyses, providing additional methodological detail for readers interested in the research foundations of the chapter.
- Chapters 5–14 offer teaching notes for educators. These resources provide ideas, relevant literature, and practical tips on how to incorporate the cases featured in the book into training sessions, classroom discussions, and skill development activities. Access is restricted to instructors and trainers.

For access instructions and additional resources, please refer to this website: <https://doi.org/10.4337/9781035361243>.

Endorsements

'I appreciate the book's concrete, SME-focused approach to DEI, offering simple, practical guidelines to start viewing everyday decisions through a "DEI lens." This is a valuable asset as SMEs strive to attract, keep, and motivate the employees. I encourage curiosity – and using this book as a hands-on guide.'

– Maija Aarnio, Suomen Yrittäjät (The Federation of Finnish Enterprises), Finland

'Through my work, I have the privilege of gaining insight into the leadership and business models of many Finnish SMEs and advocating for their growth. This book is a much-needed reminder of the strength that acknowledging DEI from the business perspective can bring. Once seen as a strategic investment into the business growth instead of a "nice to have" soft value, it opens opportunities to new markets, business partnerships, segments of clients, and an untapped talent pool. As many other investments into growth, it may be uncomfortable and costly in the first steps but becomes a lifeline and "raison d'être" once it has been implemented.'

– Regina Ainla, Business Finland, Finland

'Much is said about the importance of diversity, equality and inclusion in the literature on corporate values – but how can resource-constrained SMEs excel in this field? This book is an excellent, practical guide on how SMEs can best position themselves to produce meaningful and authentic social sustainability outcomes.'

– Judith Clifton, University of Cantabria, Spain

'This book addresses a timely topic for firms in general, and SMEs in particular. The authors "make real" the issues surrounding diversity, equity, and inclusion. They provide practical, case-based guidance for SME leaders to strengthen strategy development and implementation, and growth. They also address the key DEI issues of conflict resolution and regulatory compliance. A must-read for today's managers.'

– Nicole Coviello, LUT University, Finland

'Grounded in SME realities and offering an accessible path to inclusive, effective organizations, this book offers insights and pragmatic solutions valuable for investors seeking to equip portfolio companies to compete globally. A genuinely useful guide for leaders seeking to do well by doing good while strengthening culture and performance.'

– Erin Gainer-Grigaliūnė, the Ella Fund, Switzerland

'I strongly recommend this insightful and timely book on diversity, equity, and inclusion (DEI) in entrepreneurship and SMEs to scholars, educators, practitioners, and SME leaders alike. It skilfully combines conceptual depth with rich empirical cases to illuminate how DEI shapes and is achieved through SMEs' strategic management and everyday practices.'

– Ewald Kibler, Entrepreneurship Unit (ENTU), School of Business, Aalto University, Finland

'What I value is the book's perspective, which combines analysis with practical SME-oriented examples and insights. This makes it relevant to academic audiences and also to practitioners working closely with SMEs, including Trade Promotion Organisations. It offers a timely resource for those building a resilient and inclusive SME ecosystem.'

– Vasso Kyrkou, Trade Promotion Europe, Greece

'Managing DEI in SMEs requires distinct processes from those used in larger companies, making the expert guidance provided in this book essential. Combining insightful theory and perceptive cases in Europe, the authors present a well-rounded and holistic view of this important topic that will benefit both academics and managers alike.'

– William Newbury, Florida International University, USA

'This book reframes DEI from a perceived burden into a strategic opportunity to engage value-driven consumers and build resilience. By presenting SMEs as communities, it makes DEI more practical, relatable, and impactful in everyday management. Overall, it provides valuable insights for advancing responsible human resource management and social sustainability.'

– Raminta Pučetaitė, Kaunas University of Technology, Lithuania

'A lot has been written about certain areas of DEI but mainly in/for large organisational settings. Touching on neurodiversity, aging and LGBTQIA+ issues, this book transcends traditional DEI topics. I also find both its SME focus and the balancing of scholarly, educator and practitioner perspectives fresh and valuable.'

– Matt Raskovic, Auckland University of Technology, New Zealand
and Academy of International Business

'This book makes a definitive contribution to the critical strategic management domain by challenging conventional perceptions of attributing DEI to large corporations. Its real-world cases offer a paradigm-shifting look at how European SMEs are already pioneering social sustainability. Their thoroughly researched framework provides a masterful, strategic blueprint for social sustainability.'

– Caren Scheepers, Gordon Institute of Business Science, University of Pretoria, South Africa

'This book offers a thoughtful and timely contribution by showing how diversity, equity and inclusion can be understood in ways that are meaningful for smaller businesses. Grounded in the realities of European SMEs, it provides a valuable resource for scholars, educators, practitioners, and policymakers concerned with inclusive and sustainable business.'

– Noemi Sinkovics, Newcastle University Business School, UK

'As a venture capital investor, I know that inclusive organisational culture is not a social add-on – it is a driver of value, resilience and long-term competitiveness for founders and the companies they build. I welcome this open-access publication as a valuable resource for shaping Europe's next generation of responsible businesses.'

– Viktorija Trimbel, Coinvest Capital, Lithuania

1

Rethinking diversity, equity, and inclusion in European smaller businesses

*Aušrinė Šilenskytė, Margaret Fletcher,
Jurgita Butkevičienė and Chenthuran
Jayton*

1. Diversity, equity, and inclusion drivers in smaller European firms

What do the terms ‘diversity,’ ‘equity,’ and ‘inclusion’ mean for small- and medium-sized firms? One of the managers of such a firm whom we interviewed, Kaj Sundén, Chief Executive Officer (CEO) of Finvacon (Finland), responds, ‘Diversity, Equity, and Inclusion is a part of our concept “new normal”. We don’t think about it at all in everyday life... we have been living this organisational life for so long that for us it’s just normal.’ Finvacon is an example of a European medium-sized firm that has integrated these terms into its strategy, culture, and daily work without explicitly using them. However, is that common in smaller European firms?

Diversity management and, subsequently, the terms ‘diversity,’ ‘equity,’ and ‘inclusion’ (DEI), including the DEI-related terminology and DEI programmes as a concept, were formulated in the United States (US), spreading globally (Levi and Fried, 2025; Primecz and Mahadevan, 2025), including in European societies and firms. In broader terms, European societies have been historically cherishing diversity and diversity management principles through their intellectual tradition (Ivic, 2019). However, in the transition of DEI conceptualisation from the US to Europe and elsewhere, DEI has been primarily associated with limited issues concerning gender and race (ethnicity) (Primecz and Mahadevan, 2025).

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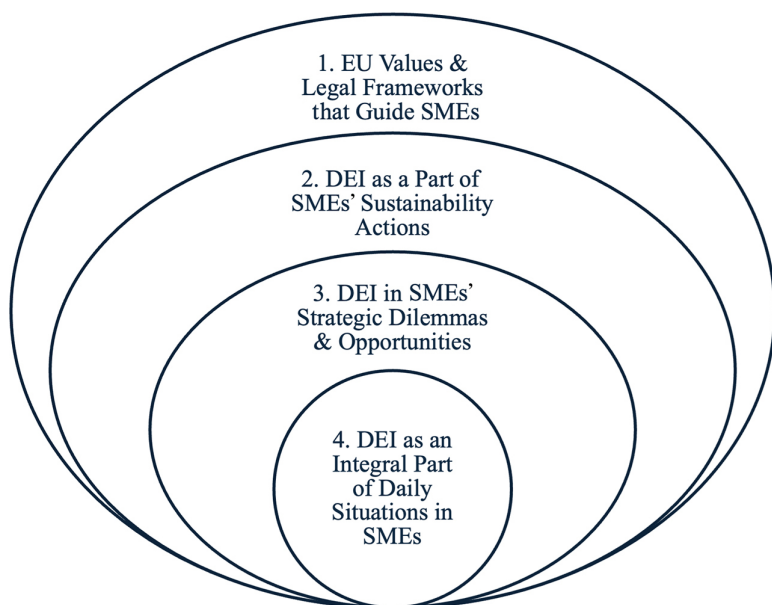
Specific approaches to DEI, particularly those that narrowly focus on certain diversity dimensions and the methods used to address them, have contributed to a severe backlash against DEI for various reasons. The backlash against DEI has been increasingly visible and driven by various misinterpretations (cf., Prasad and Śliwa, 2024), political interests (cf., Ng et al., 2025), and some of the very valid concerns about how DEI policies and practices have been implemented (cf. Levi and Fried, 2025; Liu, 2021; Primecz and Mahadevan, 2025; Swan, 2010; and Chapter 2 in this book). The backlash is additionally supported by arguments about weak economic evidence of how DEI matters, ‘checklist-type’ DEI initiatives that fail, and especially the perceptual nature of DEI work (e.g., Foss and Klein, 2023; 2024).

Indeed, DEI as a concept and its components are *socially bound* and *perceptual*. *Diversity* is the representational variety of people, processes, and thinking within an organisation. However, workforce diversity has been traditionally defined as ‘the division of the workforce into distinct categories that (a) have a perceived commonality within a given cultural or national context and that (b) impact potentially harmful or beneficial employment outcomes such as job opportunities, treatment in the workplace, and promotion prospects—irrespective of job-related skills and qualifications’ (Mor Barak, 2014, p. 136). *Inclusion* is the felt experience of people within an organisation (Shore et al., 2018). Inclusion is achieved when ‘people of all identities and many styles can be fully themselves while also contributing to the larger collective, as valued and full members’ (Ferdman, 2017, p. 235). *Equity* refers to the active process of identifying and dismantling unfair structural and institutional barriers that limit specific groups of people and creating conditions that enable those groups to achieve fair outcomes (Everett and Hill, 2025).

Due to all the reasons above, the DEI-related concepts might be abstract and distancing for managers and employees in small- and medium-sized enterprises (SMEs), which in the European Union (EU) are defined as firms with fewer than 250 employees and either an annual turnover not exceeding €50 million or a balance sheet total below €43 million (European Commission, n.d.b). Moreover, smaller businesses often perceive DEI as an issue primarily relevant to larger corporations, assuming that it requires dedicated budgets, formal policies, and specialised human resources (HR) structures, as it has been traditionally advocated in the DEI literature (e.g., Friday and Friday, 2003; Nishii and Özbilgin, 2007; Riccò and Guerici, 2014; Shen et al., 2009).

This book challenges these assumptions and, through real examples, shows that even if SME managers and employees may not recognise this immediately, a substantial number of their lived experiences are related to the DEI concepts, as illustrated in the opening extract from the interview with Finvacon's CEO. We argue that DEI issues are an integral part of SMEs' strategic management and daily realities, but their realisation and management need to be approached differently than currently advocated or defined in the DEI literature.

To begin the discussion on why DEI is important for every European SME, we first address the factors that encourage SMEs to consider DEI. We capture these drivers in Figure 1.1 and subsequent subsections, where we explain that SMEs are driven to rethink and address DEI issues through: (1) EU values and legal frameworks that actively promote DEI as a part of the social sustainability pillars; (2) social sustainability challenges and opportunities that become increasingly relevant for every business; (3) strategic management dilemmas SMEs need to solve and opportunities they can capture; and (4) daily situations that emerge at



Source: Authors' own elaboration.

Figure 1.1

DEI drivers in smaller European firms

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work in SMEs, including risks and opportunities stemming from the limited structures in SME management. While these drivers may seem to primarily relate to the so-called ‘business case’ for DEI that has been criticised for its exclusive focus on connecting DEI to business outcomes (Ely and Thomas, 2023), each of them also carries the elements of the ‘learning-and-effectiveness paradigm’ (ibid.), especially drivers (3) and (4), and ‘social justice’ perspectives (e.g., Crenshaw, 1989; Morrison, 2014; Rosso, 2021), especially drivers (1) and (2).

These drivers, while academically recognised, were also observed to be relevant for SMEs through industry research and company–academia collaboration in the EU-co-funded ERASMUS+ DEI4SME project. These drivers also align with the understanding that DEI can be addressed at different, interconnected levels that influence each other: the macro level that concerns country or region laws and policies and political discourses; the meso level that comprises DEI actions at organisations, in different institutions, and leadership approaches; and the individual level that captures individual experiences of diversity, equity, and inclusion in various contexts (Cunningham, 2024).

In the subsequent sections, we elaborate on each of the drivers.

1.1 European Union values and legal frameworks that guide SMEs

DEI is at the core of the EU values. Article 2 of the Treaty on EU outlines values that form the foundational principles for the EU. These values include respect for human dignity, freedom, democracy, equality, the rule of law, and human rights, including the rights of minorities. All EU institutions and member states are obliged to uphold these principles. This means that in every policy, programme, and action, the EU and its members must protect and promote people’s rights as a fundamental value and commitment (European Parliament, n.d.). Europe, of course, is wider than the EU; however, these values have deep historical roots in European intellectual traditions (e.g., ancient Greece and Rome, Christianity, the Renaissance, the Enlightenment, and liberal humanism) and have been promoted culturally and politically across European societies well before the formation of the EU (Ivic, 2019). Moreover, the European values as a driver for action guide both internal principles of operations and global positioning of the continent and the EU (Marzal, 2025). Companies operating in the EU and Europe, therefore, are also guided by these values and regional positioning, having the possibility to internalise this value-driven location advantage in their firm’s strategy.

The EU has put much effort into translating EU values into various other guiding principles, frameworks, and directives. The European Pillar of Social Rights advocates for social justice and social sustainability and addresses diversity, equity, and inclusion in all its objectives, thereby providing guidance in decision-making within the member states (European Commission, 2021). The latter framework captures three areas: (1) equal opportunities and access to the labour market; (2) fair working conditions; and (3) social protection and inclusion. In each of these areas, there are specific EU-level goals to be achieved (ibid.). Thus, the EU has its regional social justice and social sustainability strategy, including DEI, with specific key performance indicators, and all companies in the region, including SMEs, are expected to work on implementing it and benefiting from it (see further the Action Plan in European Commission (2021)).

Larger companies and listed SMEs¹ are directly mandated for this and other sustainability-related framework implementations, as they are asked not only to work on these goals' implementation but also to report on them annually. The Corporate Sustainability Reporting Directive (CSRD) (European Commission, 2025a) and the Corporate Sustainability Due Diligence Directive (CSDDD/CS3D) (European Commission, n.d.a) require these companies to shape their business according to economic, environmental, and social sustainability principles but also oversee these issues concerning sustainability and justice in their supply chains, often where smaller or non-listed suppliers operate and collaborate with them. Smaller, non-listed firms are invited to voluntarily report on their sustainability efforts through the VSME standard (EFRAG, 2024).

While DEI in the EU is driven by these values, pillars, and reporting frameworks that apply to both small and large firms, DEI in SMEs should not be understood solely as a compliance obligation. These are attempts to uplift human-dignity-focused values that should benefit both businesses and society. While uplifting justice, it also helps business. In a globalised economy characterised by digital transparency, cross-border mobility, and international value chains, DEI increasingly functions as a strategic capability and a locational advantage. SMEs that ignore these dynamics risk reputational disadvantages, talent shortages, and exclusion from international partnerships.

1.2 DEI as a part of sustainability actions in business

The EU is not alone in promoting justice and social sustainability in all spheres of life, including businesses. The United Nations' global

Sustainable Development Goals framework addresses the most severe grand challenges that affect humanity and life on Earth, more than half of which are concerned with social and justice issues (UN SDGs, n.d.). SDGs 1 (No poverty), 2 (Zero hunger), 3 (Good health and well-being), 4 (Quality education), 5 (Gender equality), 8 (Decent work and economic growth), 10 (Reduced inequalities), and 16 (Peace, justice, and strong institutions) directly or indirectly relate to DEI concepts (Wickham et al., 2025). Firms also internalise these specific goals to their strategy and work towards doing both ‘good business’ and benefiting society (Van Tulder and Van Mil, 2022).

Furthermore, pressured by regulations and stakeholders, or voluntarily driven by moral values, firms engage in sustainability actions. DEI is a part of social sustainability actions. Ajmal et al. (2018) define social sustainability in business as the integration of practices that promote human well-being, fairness, and societal development across organisational operations. Social sustainability has three interconnected dimensions: ‘(1) Safety and security (i.e., fair labour practices, health and safety at work); (2) Learning and growth (i.e., education and training, job security, employment); and (3) Community development (i.e., diversity, equity, and inclusion, social involvement, human rights, consumer and product responsibility)’ (ibid.; Šilenskytė et al., 2024, pp. 2–3). Rather than limiting sustainability to environmental and economic factors, businesses should work to address core social sustainability issues that influence the internal firm’s functioning in addition to wider societal outcomes. Unhappy, discriminated employees, or those working in unsafe conditions will have little interest to engage with the firm’s business or environmental strategies and goals (Šilenskytė et al., ibid.).

Moreover, firms are exposed to a diverse workforce due to environmental, social, and political factors. The global population has become transient, with workers moving countries and continents to build meaningful lives (Nishii and Özbilgin, 2007). Climate change, wars, and geopolitical upheaval are forcing communities to flee from their home cities and countries to find security for their lives and livelihoods (Özbilgin et al., 2024). Medical advances are allowing people to live longer and healthier lives even as pension plans and retirement savings plans struggle to keep up with growing costs of living. This in turn leaves an older workforce seeking forms of income to sustain a lifestyle they are used to (Vodopivec et al., 2019). Individuals may experience phases of vulnerability or reduced capacity due to caregiving, health issues, life transitions, or crises, and these temporally bounded phases can significantly impact their functioning, role in society, and economic activity.

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The work of transforming organisations to be more receptive to the needs and interests of those who have been historically oppressed or those who are currently in a challenging situation is ongoing. The language used to demarcate this work has evolved with time as critical thinkers have continued to add nuance and depth to describing the workplace (Stewart, 2018). SMEs are more vulnerable to overlooking emerging employee needs and societal changes, as well as being affected by them, because they often lack formalised sustainability and other policies. But also, SMEs are more nimble than larger firms to address them since they do not have stiff management structures (Koporcic et al., 2025). Thus, SMEs can more flexibly implement inclusion strategies anchored in life-course and crisis-timing considerations, this way championing social sustainability initiatives through active response to emerging trends. Consequently, DEI in SMEs should be understood as a dynamic, time-embedded phenomenon rather than a fixed set of actions or identities. Recognising temporality allows SMEs to design more resilient and inclusive systems by aligning HR practices, crisis management, and network relations with employees' life-course stages and disruptions, rather than relying on one-off initiatives (Širca et al., 2024).

1.3 DEI in strategic dilemmas and opportunities SMEs need to solve

Managers face DEI-related dilemmas and opportunities in the strategic management of the firm, too. These challenges come from both increasing and reducing diversity in the firm. For example, when a company is internationalising and starts establishing foreign units, the corporate language should be reconsidered and typically is changed to English or another commonly used language across all country units, thus reducing linguistic diversity for organisational efficiency. Yet research shows that such a simple change from linguistic diversity to one corporate language is likely to affect employees' ability and interest to engage with the firm's strategy (e.g., Boxenbaum, 2006; Lønsmann, 2017). When employees and managers apply a unified understanding about others and assume that if others work within the same corporation, they will think and work in the same way, firms struggle to implement their strategies (e.g., Šilenskytė, 2020). Companies are questioned by various stakeholders about their homogenous board compositions that prevent innovativeness in firms and suggest inclusion of females and other diversity representation in them (e.g., large firms and SMEs are asked to report ratios in their annual statements and have targets to improve female representation) (European Commission, 2025a; EFRAG, 2024).

On the other hand, numerous examples demonstrate how companies struggle to consistently implement their strategy across country units in smaller and larger firms due to the diversity of cultural and cognitive frameworks (e.g., Šilenskytė et al., 2022; Värlander et al., 2016). Unaddressed different mindsets of people working in different organisational functions can prevent firms from developing innovative products and market offerings (e.g., Olsen and Boxenbaum, 2009). Overlooked employee diversity on the factory floor may prevent a firm's success in translating business initiatives to practice (Moore and Rees, 2008).

Most of the available research on diversity-related strategic challenges has been conducted in larger firms. But cases featured in this book, such as Valent Hausverwaltung (see Chapter 12), Velberg Motors (see Chapter 9), HR Hint online / OVC Consulting (Chapter 6), Relocation Services (Chapter 14), or Top Training (see Chapter 8), demonstrate that SMEs equally face DEI-related challenges and have the possibility to utilise DEI to strengthen their business.

Finally, to be competitive and unique, firms develop purpose-driven business models (Blocker et al., 2025) and build competitive advantage through shared value (Porter and Kramer, 2018). As shown through the cases in this book, such as Finvacon (Chapter 5), AddSearch (Chapter 10), Foamit Group (Chapter 7), Consulting4Future (Chapter 11), or Merinova (Chapter 13), firms choose or must choose to integrate DEI in their strategic thinking to serve diverse customers, win the war for talent, create inclusive and welcoming working conditions, achieve compliance, fulfil customer contract expectations, or build a unique competitive advantage in the market. This work is not based on a one-time decision to engage with DEI strategically but rather is a continuous learning and effort to balance both the complexities that come with diversity and the benefits that can be obtained through DEI.

In this book, we invite SMEs to shift away from a single perspective that engagement with DEI is a challenge or extra burden. We invite them to realise that strategically approached learning-driven DEI in business corresponds with SME needs to access talent markets that are increasingly diverse and transient (Harney et al., 2022), address the needs of a value-oriented consumer who values shopping just as much as they are shopping for values (White et al., 2019), and build resilience by overcoming limitations inherent to SMEs. For SMEs, a DEI lens that goes beyond engagement with one or several diversity dimensions in their strategy represents an opportunity for business resilience and growth (see Chapter 2 for extended discussion).

1.4 DEI issues that occur in daily work situations in SMEs

Daily management and work situations are related to and can be facilitated by more actively engaging with DEI. Understanding the reasons for and solving a tension when some employees do not want to work with each other (see Top Training case, Chapter 8), allocating work tasks as per employees' current and changed ability (see Velberg Motors case, Chapter 9), handling a wrongly submitted whistleblowing report (see Foamit Group case, Chapter 7), ensuring employees do not feel overwhelmed with work (see Valent Hausverwaltung case, Chapter 12), or conducting a work meeting with a team working virtually so that everyone feels included and understands how to complete the task (see AddSearch case, Chapter 10) are easier when we think about these daily situations through a DEI lens. These seem to be very straightforward activities, but as company cases featured in this book and real life show, managing them effectively and with inclusion, justice, or equity in SMEs is not so easy. Considering them through the lens of DEI allows SME managers to capture underlying reasons for the problem and avoid misunderstandings, work undone, the loss of a valuable employee, or supplier contract, but it also ensures equitable contributions and fair treatment.

However, managers in many SMEs may predefine their understanding of what people can and cannot do before diverse people enter the organisation, instead of considering their potential. Managers may have an image of an 'ideal worker' formed by social norms and discourses or political agitation campaigns. This leads to social challenges and difficulties for businesses, as they begin to lack skilled employees but still disregard certain segments of society (see Merinova case in Chapter 13). Such predefined thinking frameworks about people with disabilities, older people, refugees, or migrants, etc., prevent SMEs from creating something unique and valuable in economic and societal terms. Finvacon (see Chapter 5) entitled this uniqueness as a 'new normal' where employee productivity is not defined in standard terms, but where the firm can build a competitive advantage and a strong employer brand in the industry, transforming the business from a workshop for dollhouses to a global industry leader in high-technology offerings.

Therefore, SME managers and employees do not always need to refer to the DEI terms explicitly, but they should foster an understanding that managing and organising work in SMEs effectively requires considerations of how diverse people who are attempting to work or working in

SMEs can effectively and sustainably thrive in the firm long term, enabling business success *and* their own well-being, personal and professional hopes and aspirations, and their ability to be a valued member of the SME as a social and economic organisation.

We recognise that tapping into these opportunities and realising the value of applying a DEI lens to SME management has been prevented by the traditional conceptualisation of what diversity management entails. In the next section, we redefine the principles of diversity management in SMEs by building on these identified drivers discussed above and company cases featured in this book, making DEI relevant, applicable, and accessible in the SME context.

2. Making DEI accessible to SMEs and meaningful in their context

DEI management has been traditionally associated with and developed from the context of larger firms. Consider existing DEI management frameworks, such as the DEI implementation framework by Riccò and Guerci (2014) or Friday and Friday (2003), the global diversity management framework by Nishii and Özbilgin (2007), and the visionary framework by Shen et al. (2009), that have pointed to the need to move away from employment opportunity (EEO) and affirmative action (AA) perspectives and have offered solutions that are likely to be suitable for larger firms but may be too complex, costly, and distancing for smaller firms. These suggestions that called for formalised structures, policies, and processes to manage DEI further permeated documents that promote best practices that SMEs could adopt when implementing DEI (e.g., European Commission, 2015). While all these frameworks are of significant value and do make relevant suggestions, their effectiveness is limited due to behavioural and social limits to arbitrage (Liu, 2021), power relations in specific country contexts (Kornau et al., 2022), and other reasons (see Chapter 2).

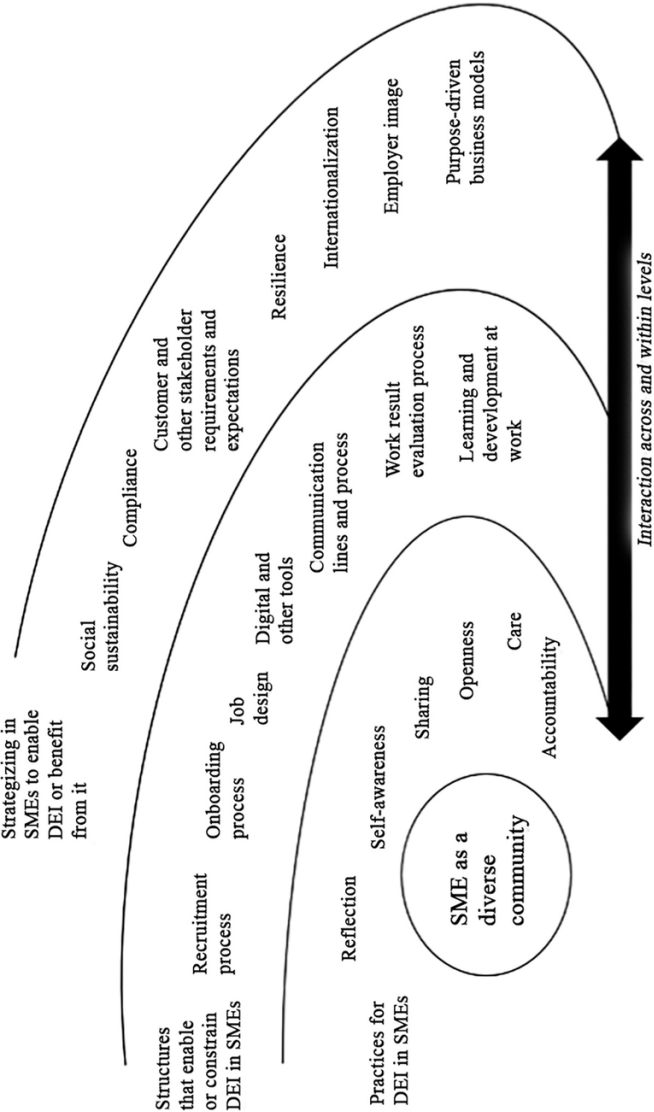
Moreover, these frameworks are rarely meaningful to SMEs, firms that face the liability of smallness and are resource constrained financially and by other resources, including time, managerial, and knowledge resources (Bakhtiari et al., 2020). SMEs lack business-related policies, processes, and structures, as well as managerial capabilities to develop them in a professional manner (e.g., Eggert, 2020; Koporcic et al., 2025). Thus, it is rather distancing to discuss formalised structures and

processes as advocated in traditional DEI frameworks within the SME context. Therefore, it is not a surprise that despite numerous drivers, SMEs have often been disengaged with DEI issues, leaving these matters for resource-rich larger firms that have dedicated people and departments to handle it.

However, focusing on the unequal capabilities to engage with existing DEI frameworks does not help us address the DEI-related challenges and opportunities that exist in SMEs. As discussed above and shown in the company cases of this book, DEI-related strategic dilemmas, opportunities, risks, and daily situations exist in SMEs. It has been argued that diversity management relates to people management (Shen et al., 2009), strategic management of the firm (Riccò and Guerri, 2014), and its competitive advantage (e.g., Roberson et al., 2017; Roberson, 2025; Wickham et al., 2025). Equally, these issues are visible in SMEs. However, pathways to managing diversity need to be different given the features of the SME context. Thus, we further elaborate on *how SMEs could start considering DEI in an accessible way*, meaningful in their context, using the existing opportunities to strengthen their business and prevent potential oversights that come from their highly informal ways of operating. Our suggestions are summarised in Figure 1.2.

In practice, these suggestions are derived from the accumulative analysis of company cases featured in this book and from the observations of other firms with whom we worked in the DEI4SME project and beyond. Moreover, these suggestions are further supported by observations that while SMEs have resource constraints and lack structures and processes, they also benefit from their nimbleness, ability to pivot business models, and the use of their close network ties with suppliers, customers, and peers, which leads to their resilience (Koporcic et al., 2025).

Theoretically, this framework is grounded in the assumption and a strong belief that formal and social structures interact (McEvily et al., 2014) and only the analysis of the two can result in meaningful explanations of how some strategic initiatives, such as engagement with DEI, become realised or not (Weiser et al., 2020; Šilenskytė and Smale, 2021). Moreover, the perspective that we offer here adheres to the contemporary research on DEI (Fitzsimmons et al., 2023) that recognises the need to move away from ‘box’ thinking about diversity dimensions and ‘checklist-type’ DEI initiatives that fail (Foss and Klein, 2023; Foss and Klein, 2024) and invites designing DEI work by rethinking systems through the multi-level (Syed and Özbilgin 2009) and intersectional lens (see Chapter 3 for



Source: Authors' own elaboration.

Figure 1.2 Managing diversity, equity, and inclusion in SMEs

extended discussion) as well as the assumption that diversity experiences are context related (Lücke et al., 2018; Primecz and Mahadevan, 2025).

DEI becomes understandable and manageable for SMEs when we view SMEs as diverse communities. While DEI-related actions and the commitment of managers to support DEI and establish relevant structures and measurement mechanisms are important for SMEs, just as they are vital in large firms (European Commission, 2015), we argue that only the community approach to SMEs as organisations can make a real difference. Business processes and structures are important, but people also ‘make the place’ (Schneider, 1987), and this is more visible in SMEs that frequently rely on informal processes and social structures (Harney et al., 2022). Viewing SMEs as a diverse community also allows recognising the most typical reasons, such as behavioural and social limits (Liu, 2021) and power relations (Kornau et al., 2022), because of which even the best-established DEI systems may fall short, and continuously examining experiences of diverse individuals leading and working in SMEs within their context (Primecz and Mahadevan, 2025).

2.1 Practices for DEI in SMEs

The SME as a community may or may not have formal structures and processes for enabling DEI, but there are several social *practices* that can enable the development of ‘soft’ structures to uplift DEI and ensure that existing formal structures are functional, equitable, and inclusive. To achieve the latter, these practices should be regular and exercised by *both* SME managers and employees. Regularity is vital for institutionalising the practice and therefore ensuring that groupthink and blind spots in the community are prevented in the long term.

SMEs can institutionalise certain practices that enable DEI and its outcomes in several ways. For example, when practising *reflecting*, people in SMEs ensure that they observe how social ‘soft’ and formal ‘hard’ structures work, evaluate them, and question, ‘Are they functional, and whom do they serve?’ The practice of *self-awareness*, i.e., acknowledging that both decision-makers and workers can be biased or have blind spots in their thinking shaped by social contexts and individual experiences (Pronin and Hazel, 2023), sets the ground for meaningful reflection. With self-awareness we do not reflect to confirm the system, but we reflect to identify shortcomings of the system and improve it. Self-awareness alone is not sufficient because we operate in the community and because diversity is socially bound and perception based. Without

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sharing our considerations and reflections, we cannot fully open our thinking to new perspectives.

Thus, *sharing* is a vital practice. SME managers could communicate their dilemmas inside SMEs to colleagues working together and outside SMEs to external partners such as universities, researchers, and students, who can create structured and safe spaces for critical discussion, new perspectives, and shared learning. Workers could more openly explain their situations, questions, and challenges to managers and colleagues. Sharing develops empathy and *openness* on multiple ends. Saying just that ‘we are open’ is not sufficient for achieving openness in practice; significant courage is needed to practise open acknowledgements of challenges, to hear uncomfortable truths or alternative opinions, and to uplift mistakes searching for better solutions. Moreover, openness makes us vulnerable and vice versa (Baiausu, 2020). It can be an initial response to blame a person who acknowledges mistakes or blame a team member who openly seeks fairness at work, raising uncomfortable questions, or who did not agree with the opinion of the majority.

Therefore, *care* and *accountability* practices should complement openness and the other practices mentioned above. Care for oneself and others and accountability towards the SME community are essential. SME managers have legal and moral accountability to care for their workers (European Commission, 2021; Oldham, 2024) and this care and accountability, together with other practices adopted by managers, form the foundation for inviting employee voices. But once this happens, this care should not be one-sided by managers alone. DEI or related literature has emphasised the role of managers in making positive changes and developing inclusive workplaces (e.g., Adams et al., 2020; Cao et al., 2022; Oldham, 2024; Tatli and Özbilgin, 2009). There is a need for such managerial commitments and supportive actions since they fight marginalisation and ensure inclusion and equitable treatment. However, managers who foster inclusion at work and welcome openly diverse ideas, as well as the other SME community members who follow the initiative to be open and reflective, may become vulnerable. To prevent unwanted consequences of vulnerability and loss of motivation of open community members, including managers, workers in the SME community have equal accountability to challenge but with respect and care, having awareness that we all are biased and have limitations, and have also the right not only to demand but also to care, support, and be accountable to deliver our own share, this way contributing to a caring environment both ways. This two-sided approach is less often considered in

DEI but is otherwise visible in organisational behaviour literature (e.g., Cropanzano and Mitchell, 2005; Cropanzano et al., 2017). Moreover, the two-sided approach becomes very important when we see DEI not only as restorative action concerning historically marginalised groups but as a way to manage diversity of people in a contextualised, intersectional way, as argued by Primecz and Mahadevan (2025).

While DEI literature suggests that firms that engage with the DEI do get more innovativeness, better work atmosphere, lower turnover, higher employee engagement, reduced legal costs, etc. (e.g., Kossek et al., 2006; O'Donovan, 2017) these benefits are difficult to measure, observe, and realise in the short term. However, having easy-to-prove-through-actions-at-work daily evidence is likely to motivate SME community members to engage with DEI further. That is why psychological safety, a shared belief that one can speak up, improve, or correct actions without fear of punishment or humiliation when working in the organisations (Edmondson, 1999), as a concept has been penetrating DEI and leadership literature. This concept speaks about the observable actions by both managers and employees that show the existence of inclusion and equitable treatment at work that also result in better performance.

The practices we suggest can be adopted in an SME of any size, including by a single entrepreneur. These fundamental practices do not require any investment or additional resources but are the foundations through which diverse ideas can enter the thinking of individuals and SMEs in which they work, paving the way for the constant re-evaluation of the entire environment and structures in which we live and work.

A short H. G. Wells fictional story, *The Country of the Blind*, is retold in DEI literature, as it describes a person who entered the world of blind people thinking of having an advantage as a person with vision but soon realised that everything in that world is designed according to the assumption that people cannot see, and therefore having vision may even disadvantage a person (see Noon, 2004). This story illustrates how blind spots occur when the social and other systems are designed according to the needs of a majority group who defines the concept of 'normal'. The SME community, when institutionalising the above-defined practices, does the same exercise; they enter the world in which we live and work with more open minds and a better chance to understand the underlying assumptions that either support or limit people of a certain kind. The limitations that prevent diverse people who lead and work in the SME

community from doing their best at work limit their possibility to contribute to business success and society at large.

2.2 Structures that enable or constrain DEI in SMEs

Practices for DEI in SMEs are a fundamental step that defines how functional, inclusive, and equitable an environment SMEs will develop and how much they can utilise DEI to enable their business success and simultaneously contribute to society. However, this is only a first step. SMEs, especially larger ones, should have structures to ensure the workplace is inclusive and equitable. Yet, these structures need to be empathetic to the SME context. There is no need to expect that SMEs will have extensive DEI policies or a dedicated person overseeing their implementation since SMEs often do not have HR functions and rely on outsourced, contracted HR consultants.

However, SMEs can have clear principles and preferably brief descriptions of how they recruit and onboard workers, arrange work and communication, or create access to learning and development to ensure that the absence of DEI-related policies and structures does not lead to a variety of biases, prejudgements, and injustice. The cases in this book demonstrate what issues occur when SMEs do not do that or do that without reflecting on the DEI lens. With deliberation we avoid using terms like ‘providing training and development,’ ‘performance management,’ ‘communication systems,’ or ‘appraisal processes.’ This is not the language of SMEs, even if this was a language of how DEI literature so far has discussed specific structural and/or formal actions needed to ensure DEI at work (e.g., Kossek et al., 2006; Sippola, 2007). Many SMEs do not have the financial or other capacity for specialised training and development offers or for conducting formal performance and appraisal processes. However, this does not mean SMEs cannot ensure accountability towards DEI by different means.

SMEs can focus on how they do business every day and how these established semi-formal or formal processes support or hinder diverse people in companies from doing their best at work and realising their skills and talents for bettering the community. For example, if SME managers hope to expand internationally but post job advertisements only in local languages and hire only local employees, how can a firm develop internationalisation capacity? Whereas hiring a migrant from the target country of internationalisation can immediately bring needed knowledge about and skills to engage with the target country while also uplifting the inclusion of marginalised groups. If the evaluation of work benefits only those who

Ausriene Silenskyte, Margaret Fletcher, Jurgita Butkeviciute, and Chenthuran

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speak the loudest in team meetings and there is no system to recognise that those more silent ones have done most of the work, SMEs may not be able to secure these silent talents, who will respond to injustice at work by leaving the firm. If there are no or limited learning opportunities created between more experienced/older and newer/younger employees, those who speak local languages and those who speak international languages, those who have mastered technology and those who are only catching up, those who have standard work ability and those who are differently abled, how can SMEs remain competitive? Such internal cross-learning is possible if meaningful internal diversity exists and 'soft' or 'hard' structures allow utilising it to support business success. Therefore, instead of thinking about DEI policies with little functionality, SMEs can question their *systems* at work starting from these simple areas summarised in Figure 1.2, evaluating their functionality while using *practices* for DEI in SMEs.

2.3 Strategising in SMEs to enable DEI or benefit from it

Finally, SMEs can follow the best examples featured in this book and start strategising for and with DEI. As presented in previous sections, SMEs have an immediate connection with global and European strategic initiatives when incorporating social sustainability language in their strategy. They can position themselves not as a small undertaking in a local community, but as an ambitious and visionary company that is ready to grow globally by engaging in global conversations from the start. As shown by cases such as Foamit Group, HR Hint online/ OVC Consulting, AddSearch, Finvacon and others, it is easier to win customers, receive wide recognition, achieve compliance, and build a strong employer image when a DEI lens is applied to strategising in the SME.

Ultimately, SMEs can strive to develop purpose-driven business models (Blocker et al., 2025) or build competitive advantage through shared value (Porter and Kramer, 2018). However, equally, SMEs may not have an official DEI strategy or official business strategy supported by DEI. What is most important is that SME managers can strategise by benchmarking strategic aspirations with how DEI can support or constrain them. This will enable firms to design products and services that can be used by more and very diverse people, to access innovative ideas and talents that were previously disregarded, and to contribute to a welfare economic model promoted by the EU where more is invested in business development, upskilling, reskilling, and innovations rather than social support of those in need. Moreover, such strategising incorporates the

recognition that organisations, such as SMEs, and socioeconomic inequality are intertwined and significantly impact each other (cf. Bapuji et al., 2020).

The framework to manage DEI in SMEs that we presented above might still be unclear or abstract. The other chapters in this book further explain these ideas and elaborate on the reasons behind our proposals. Moreover, ten SME cases presented in the book illustrate the SME realities and how they connect with the DEI conceptualisation proposed. In the next section, we briefly present these cases and further chapters as well as discuss how to use the book in the most meaningful way.

3. What is in this book and how to benefit from it

This book is primarily intended for three diverse audiences: (1) management, entrepreneurship, sustainability, and DEI scholars; (2) business educators and learners in higher education institutions; and (3) SME managers and employees. Those interested in sustainability and inclusive business practices or willing to learn about real managerial situations that SMEs face are also likely to be interested in this book.

The book has several parts. In the first part we feature conceptual and empirical chapters on DEI in SMEs, each of which delivers different value for our target audience. We begin by recognising all the critiques that DEI has faced and acknowledging their validity. Conversation about the validity and effectiveness of DEI cannot start if we try to shut down these voices of critique. Chapter 2 presents a solid account of the ‘old paradigm’ of DEI and why it failed, despite its good intentions. Moreover, to ensure that we do not offer only critique, Chapter 2 also establishes the intellectual foundations for how we can and should approach DEI if we genuinely want it to address real problems and empower businesses through it. These arguments rely on complexity theory and distributed agency perspectives (Burnes, 2005) and demonstrates that DEI is a tool for building resilience and long-term business success, especially in SMEs.

Chapter 3 further extends these arguments through empirical evidence. The authors empirically demonstrate why operating by the old logic of ‘putting people in boxes’ does not work if we hope to effectively implement DEI, especially in the SME context. This chapter, drawing on the intersectionality research and survey data from four European countries, demonstrates that neither a single nor several intertwined

diversity dimensions are enough to project potential biases at work. In other words, the chapter demonstrates that having legal frameworks that recognise the vulnerability of some diversity groups or company policies that state the commitment to uplift the inclusion of certain diversity groups (women, people with disabilities, people of colour, etc.) will not fully solve DEI challenges or secure DEI benefits for business. So, what will? Aligned with emerging insights in intersectionality research, Chapter 3 suggests that both structural developments should be complemented by specific managerial actions that open the understanding of who is discriminated against, when, and how, and when the same person is uplifted in one context and devalued in the other context. Chapter 3 also features several empirically grounded managerial implications on how to make DEI work effectively and meaningfully in the business context, within the SME context.

Chapters 2 and 3 have built conceptual and empirical foundations further supported by company cases featured in this book to develop the framework for managing DEI in SMEs that we presented in this chapter. For scholars, these two chapters will serve as a tool for rethinking DEI in the SME context and more broadly. For SME managers, they will provide further support to ideas shared in this chapter and elaborate on best practices that managers can apply in their daily work.

Chapter 4 recognises additional oversight. In higher education and vocational settings, we have been teaching how to conduct business, but we have rarely taught students how to meaningfully integrate diversity and inclusion to support business operations. Therefore, Chapter 4 introduces a methodology, tested through empirical research, to introduce DEI in entrepreneurial education. While the chapter primarily speaks to the educators working in the higher education sector, the methodology is suitable for trainers, business consultants, and managers who want to rethink the work arrangement practices and how they are enabled or deprived through thoughtful DEI considerations. DEI work is often criticised for tokenistic practices; this chapter demonstrates how skills and merits of individuals are often disregarded if DEI are not explicitly considered in educational and work arrangements. These three chapters open academic conversation with implications for managers, educators, and scholars to rethink the role of DEI in European businesses.

The other two parts of the book feature real manager dilemmas and reflections of SME business managers and professionals working in the firm, showing their daily challenges and opportunities that they face at

work. The stories and cases were gathered through the EU co-funded ERASMUS+ project DEI4SME and its two international hackathons that featured firms from four countries – Austria, Finland, Germany, and Lithuania. An international team and hundreds of participants worked to solve the cases that participating companies have offered for the hackathon. These cases are crafted as teaching and learning cases published in this book. Each case featured in the book is followed by a teaching note available as an online appendix. Educators, scholars, and managers can request this teaching note and receive additional access to the case analysis and solutions with answers to the reflection questions featured at the end of the case. Each case presents a dilemma or a topic to reflect on and showcases some of the best practices for DEI applied in European SMEs.

The four cases in Part II are longer and more detailed reflections of real business challenges that were developed in collaboration with SME managers facing them. The Finvacon case (Chapter 5) introduces us to a successful purpose-driven business model that unites good business with the employment of special groups (people with disabilities, refugees, etc.) and poses the question of how to grow such a business internationally. The HR Hint online/OVC Consulting case (Chapter 6) explores a managerial dilemma: whether SMEs should approach DEI as a formal requirement or as an internally embedded strategic capability. Through the interaction between the SME and an external consultant, the case invites critical reflection on the sustainability of outsourced DEI expertise. Foamit Group's case (Chapter 7) illustrates the complexity of implementing the EU regulatory framework in SMEs in practice and shows that even firms that are championing sustainability and managing it through smart digital management solutions have issues to reconsider. The Top Training case (Chapter 8) considers the role of an SME manager, who is often pressured by daily emergencies and relies on management processes and ideology established at the time of founding the firm, inviting us to rethink how conflicts at work could be solved through considering DEI issues more strategically. These four cases give us some insights into different business management processes: strategy making and implementation, human resource management, compliance management, and sustainability management, demonstrating that DEI is not an abstract concept but rather an integral part of each of them.

The six shorter cases in Part III present an SME and their managers who are confronted by situations emerging at work due to some specific diversity dimension. While these cases each highlight managerial challenges connected to some specific aspect of diversity, they also underline the

idea that no fixed approaches to promote one or the other group of differently abled people are likely to be functional, especially in the SME context.

The Velberg Motors case (Chapter 9) concerns a small car repair shop where a star mechanic experienced a stroke and now has a reduced work capacity due to acquired disability. While work adjustments might seem easy, they do not always yield expected outcomes. The AddSearch case (Chapter 10) is a digital, virtually operating, award-winning SME that, despite its commitment to DEI, still solves inclusion challenges on a daily basis, trying to ensure that it does not affect good business. The Consulting4Future case (Chapter 11) uplifts the opportunities and threats of artificial intelligence brought to managing diverse educational backgrounds and neurodiverse employee needs in SMEs. The Valent Hausverwaltung case (Chapter 12) tells a story of how the unaddressed suffering of a single parent can result in the loss of a professional managing key accounts in an SME. The Merinova case (Chapter 13) draws attention to the problem where firms, and SMEs in particular, in Europe are facing the shortage of a skilled workforce while simultaneously disregarding older professionals who are willing to work and can contribute to business and society with their experience and networks. The Relocation Services case (Chapter 14) illustrates how legal cross-country differences regarding the LGBTIQ+ community's rights, even within the European Union, can limit SME chances to fight the war for talent. All these cases are real stories that we gathered from companies that might not have initially realised that the situations they are handling are related to concepts related to DEI. But they knew that they needed to solve these challenges and capture the emerging opportunities to ensure that their business operated successfully.

It is our hope that scholars, educators, learners, and SME managers will use these company examples and suggestions for best practices to reconsider how DEI is approached in European SMEs. We also hope that these cases will support them in recognising and understanding that DEI is an integral part of SME strategic management as well as everyday operations. While the proposed framework for SME management builds on European values and laws, there is an opportunity to expand discussions and research into other geographical continents. Management and employees in SMEs often experience DEI implementation very differently. By generating robust user cases, practical management approaches, and empirically grounded best practices, we can create

insights that benefit not only researchers and organisational leaders but also society as a whole.

Note

1. A listed SME refers to a small- or medium-sized enterprise that is admitted to trading on an EU public market, typically an SME Growth Market to improve SMEs' access to capital. The EU Listing Act (2024) further simplifies prospectus and disclosure rules for such firms, reducing compliance burdens to make public markets more accessible for SMEs. While both listed SMEs and traditional listed companies are subject to EU capital-markets regulation, SMEs benefit from proportionate requirements—lighter reporting, simplified prospectus formats, and reduced ongoing obligations compared to large stock-listed firms (European Commission, n.d.c).

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PART I

Foundations for advancing diversity, equity, and inclusion in SMEs

2

Reframing diversity, equity, and inclusion as essential practice for human progress in SMEs: complexity, agency, and emergent inclusion

Rumy Narayan

1. Complexity, entanglement, and a new mindset for diversity, equity, and inclusion

Modern organizations frequently declare commitment to Diversity, Equity, and Inclusion (DEI) through mission statements, diversity training, and public initiatives. Yet many such efforts face criticism for being tokenistic or performative, implemented more for image than impact (Foss and Klein, 2024, 2023; Foss et al., 2022). Tokenism refers to superficial inclusion, for example, hiring or highlighting one person from an underrepresented group to appear diverse, without true integration of diverse voices (Holgersson and Romani, 2020). Performative DEI involves grand statements or gestures toward inclusion that lack follow-through in practice (Leslie et al., 2024), often derided as woke-washing or diversity theater (King et al., 2024).

These approaches not only fail to drive real change but can also produce backlash and disillusionment. For example, simply appointing a few individuals from historically marginalized groups to high-profile roles without empowering them or addressing deeper biases can breed cynicism. Majority members may see it as reverse discrimination (where members of a majority or historically advantaged group, often based on race, gender, or age, feel they are being unfairly passed over in favor of a minority candidate to meet diversity goals or rectify past wrongs), while minority members may feel they are being showcased rather than valued. Leslie (2019) describes such unintended consequences, noting how

Ausriene* Silenskyte*, Margaret Fletcher, Jurgita Butkevicius*, and Chenthuran

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poorly executed diversity measures can backfire. Misconceptions and oversimplification of what these initiatives comprise have perhaps led to such backlash and call for a more comprehensive understanding of DEI (Nitttrouer et al., 2025; Showkat and Yahya, 2025).

For resource-constrained SMEs focused on operational efficiency rather than public relations, the performative DEI adopted by larger firms may seem particularly irrelevant or even threatening. Many European SMEs, employing between 1 and 250 people, operate with limited budgets and lean structures that leave little room for what might appear as symbolic gestures (Breuillot et al., 2022). As a result, authentic DEI concepts have often been misunderstood or dismissed entirely by smaller firms (Woodhams and Lupton, 2009; Deakins et al., 2003), leaving them without the adaptive advantages that genuine inclusion provides (Korosteleva et al., 2025; Carter et al., 2015). Research demonstrates that SMEs show ‘a distinct lack of awareness or regard for good practice in diversity and equality’ (Woodhams and Lupton, 2009, p. 203), yet ethnically diverse business teams achieve significantly higher employment growth and translate strategic initiatives more effectively than homogeneous counterparts (Korosteleva et al., 2025). Paradoxically, SMEs possess structural characteristics that would make them suited to implement DEI in meaningful, non-performative ways (Wapshott and Mallett, 2021). Their flat hierarchies, direct communication channels, and the significant influence of founders or small management teams mean that fundamental changes can be implemented immediately without the bureaucratic resistance typical of larger organizations.

Consider the tangible DEI challenges that SMEs encounter: A family-owned manufacturing firm with 45 employees struggles to attract diverse talent in a rural region where 95 percent of residents share the same ethnic background. A tech start-up of 12 people realizes their remote-first policy inadvertently excludes candidates without home office setups. A retail SME with 80 employees discovers that their informal “culture fit” hiring actually perpetuates homogeneity. A service company with 150 workers finds that flexible scheduling, intended to support working parents, creates resentment among childless employees who feel they shoulder more unpredictable shifts. These are not abstract theoretical problems but daily operational realities that SMEs must navigate, often without dedicated human resources (HR) departments or diversity officers. For these organizations, DEI cannot be delegated to specialists or managed through elaborate programs—it must be woven

into how leaders make decisions, how teams collaborate, and how the business serves its community.

In an entangled world of interconnected social, technological, and economic systems, DEI challenges are often multifaceted and nonlinear. As complexity increases, it becomes harder to pinpoint simple causal links in DEI efforts; multiple perspectives and forces collide, making DEI's impacts contested and difficult to determine exactly (see Shore et al., 2018; Dobbin and Kalev, 2016). Challenges in such complex adaptive systems unfold in ways where countless variables interact in nonlinear ways (Gershenson and Heylighen, 2005). Understood from this perspective, effective DEI work in today's environment requires a fundamental shift in mindset, from linear, reductionist approaches toward a systems-thinking perspective. Rather than relying on positivist assumptions of isolating singular variables that contribute proportionally to outcomes, complexity thinking recognizes that real-world phenomena emerge from dynamic interactions among interconnected elements (Bhaskar, 1975, 1978, 1993). Positivist empiricism, with its emphasis on reductionism, predictability, and clear-cut distinctions, fails to cope with this complexity (Burnes, 2005; Gershenson and Heylighen, 2005; Stacey, 2001). Such approaches assume that we can decompose problems into independent parts, predict outcomes with certainty, and categorize phenomena in binary terms. Efforts toward DEI suffer under such linear thinking (Jones, 2023; Shore et al., 2018). If diversity and inclusion are seen as a simple checklist or a set of isolated metrics to improve, we miss their deeper systemic role. Complexity forces us to change our ways of thinking. Dealing with complexity means embracing indeterminacy and unpredictability and yet finding ways to adapt and profit from a system's capacity for self-organization and distributed intelligence (Brown, 2017; Uhl-Bien et al., 2008; Plowman et al., 2007; Coles, 2025). In other words, instead of trying to control every outcome, create conditions where the system, be it an organization or community, can learn organically and reorganize in inclusive ways.

At the heart of this shift is acknowledging that agency is distributed across many actors and elements, rather than residing only in individual heroes or top leaders. Outcomes in a complex social system emerge from the interactions of diverse agents, each with partial knowledge and shifting intentions. No single leader or policy can unilaterally control the direction of change, and this is precisely why DEI cannot be left on the sidelines. Inclusion is a mechanism of resilience in complex systems, where diversity of perspectives and backgrounds provides the repertoire

of responses needed to adapt to unexpected challenges. Cybernetics teaches us the law of requisite variety; the greater the variety of disturbances a system may face, the greater the variety of responses it needs to cope (Gershenson and Heylighen, 2005). In practice, this means an organization must maximize diversity in its people, ideas, and strategies because it can never predict what will be necessary when. Understood thus, DEI is not just ethically sound but functionally essential, and homogeneity is brittle in the face of surprise, whereas diversity gives a complex system options to self-correct and thrive.

Crucially, embracing complexity in DEI reframes understanding of intention and choice. Instead of rigid top-down plans to implement inclusion in a linear fashion, complexity helps in recognizing that intentions must be adaptive and iterative. Goals provide direction, but as conditions change and new information emerges, inclusive practice should evolve (Brown, 2017). Complex thinking treats knowledge as a flexible, subjective model to aid problem-solving, not a fixed objective truth. Decisions aim for what is good enough and improvable over time, rather than chasing an illusion of optimal, one-and-done solutions. Yet it is worth considering, good enough for whom? As Simon (1955, 1979) observed, satisficing behavior, selecting the first acceptable solution rather than optimizing, reflects bounded rationality shaped by cognitive limits, time constraints, and organizational context. However, who defines the threshold of acceptability often reflects existing power structures; what those with authority deem “good enough” may fragment marginalized groups into overlooked segments rather than expanding the scope of benefit (Pfeffer, 1981).

Expanding the question of “good for whom?” beyond dominant groups effectively broadens the base of inclusion and innovation. This mindset aligns with how DEI progress actually happens, through continuous learning, feedback, and adjustment, rather than a one-time policy roll-out. An inclusion initiative might spark unforeseen reactions, positive or negative, which then require a change of approach. Intention in an entangled world is less about imposing will, and more about guiding an evolving process. As complexity theorists note, we should expect surprises and accept that we will never be able to control or predict complex systems completely. Instead of trying to eliminate uncertainty, we work with uncertainty, using it as an opening for innovation and self-organization.

This chapter addresses why SMEs must engage with DEI meaningfully and how they can do so effectively. The chapter begins by examining

why tokenistic DEI efforts fail, providing both theoretical grounding and practical insight. It then explores inclusive systems design, showing how SMEs can rewire their organizational architectures for genuine inclusion. The chapter subsequently examines distributed agency and emergent change, demonstrating why top-down DEI mandates fall short and how participatory approaches succeed. Finally, it addresses paradox navigation, the essential skill of holding multiple truths simultaneously, showing why SMEs are particularly well-positioned to lead in this domain. Throughout, the chapter argues that for SMEs, DEI is a fundamental capability for resilience and adaptation in complex business environments.

2. Why tokenistic DEI efforts fail

Intention in an entangled world is less about imposing will, and more about guiding an evolving process, and the lack of this realization results in tokenistic DEI efforts. Given the complexity and depth needed, it becomes clear why tokenistic DEI efforts so often fail. Tokenistic refers to surface-level actions that give the appearance of diversity or inclusion without engaging with the systemic, power-laden reality underneath (Ahmed, 2012; Holgersson and Romani, 2020). Examples include hiring one person from an underrepresented group into a team but not valuing their voice, celebrating multicultural food festivals while wage gaps between diverse employees and bias at work go unaddressed, or issuing grand diversity statements with little follow-through. These approaches treat DEI as an auxiliary checkbox, reflecting what Ahmed (2012) calls “diversity as institutional whitewashing.” Recent research by Holgersson and Romani (2020) reveals that even in male-dominated organizations, tokenism experiences can be transformed when organizational culture actively challenges masculine norms, suggesting that it need not remain a PR exercise or a quick fix but could potentially be a transformational process. This could produce meaningful change instead of breeding cynicism.

One reason for failure is that tokenistic initiatives often decouple DEI from questions of power, justice, and structure. In a critique of how diversity rhetoric entered the field of international business (IB), Vangeli (2025) observes that much of the adopted DEI was a diluted version stripped of its social justice core, with references to power hierarchies, privilege, and systemic oppression rendered invisible. What remained was a shallow celebration of diversity that fit comfortably within the

status quo (Kalev et al., 2006; Edelman, 2016) amounting to little more than a facade (Ahmed, 2012; Levi and Fried, 2025). In such cases, organizations may claim progress on inclusion while avoiding any challenge to their entrenched practices or power dynamics. But a facade change is not a paradigm shift. Without addressing the root causes of exclusion, be they discriminatory norms, structural inequalities, or hegemonic assumptions in the culture, the effort cannot lead to genuine equity (Zanoni et al., 2010). It is telling that evidence from the nonprofit sector similarly shows many organizations “using stale and superficial approaches to diversity, leaving them ambling along without meaningful alterations toward improvement” (Anand, 2019, para 2). Efforts that focus only on optics, like diversity headcounts or isolated training sessions, often tackle the symptoms, manifested in the lack of representation, while ignoring the causes, such as institutional discrimination, cultural biases, or historical trauma (Anand, 2019).

Another reason tokenistic DEI fails is that it contradicts the principles of complexity. A check-the-box approach assumes a linear input–output. “Mere implementation of unconscious bias training is not enough as consciousness of bias is not the only factor in determining human behavior, rather it is a complex social system of stimuli, motivation, history and anticipated outcome.” One-off interventions dissipate quickly if not embedded in a broader context of reinforcement, feedback, and genuine culture shift. Performative measures lack the self-organizing buy-in of the whole system. People can sense when inclusion is not truly valued or when it is being done for compliance reasons. As a result, they do not internalize the intended messages. Over time, the organization may wake up in a few years wondering what went wrong, despite all the diversity programs (Anand, 2019). The answer often is that those programs did not penetrate the actual structures and norms of the system; they were simply layered on top like paint on a rotten beam. Good intentions can lead to checkbox diversity efforts that ignore hegemony and marginalization, failing to create sustainable shifts in power. True DEI work, by contrast, is willing to examine uncomfortable questions: Who has power and voice here? Who is marginalized, and why? How do our processes (hiring, promotion, product design, etc.) consistently favor some and disadvantage others? And what systemic changes would alter those patterns?

Finally, tokenistic DEI lacks the long-term commitment and adaptive learning that complexity demands. It treats inclusion as a project with an end date, rather than a continuous practice. This mindset often creates a self-fulfilling prophecy of failure: an organization implements a

surface-level initiative (X) and expects a profound systemic shift (Y). When the superficial quick fix fails to produce immediate, transformative results, leadership concludes that the practice itself is ineffective, rather than recognizing that their implementation lacked the necessary depth. When an organization treats DEI as a one-time campaign, it misses the feedback loops necessary for systemic change.

In a complex environment, the goal is not just to “do X,” but to engage in a continuous cycle of interrogation. It requires iterative assessment where instead of declaring victory after a single mentorship program a complexity-informed approach asks: *Did this truly move the needle on career progression? Where did the logic break down?* It should address unintended consequences by engaging with messy data and identify both positive and negative ripples that a simplistic checked box would ignore. Systemic interrogation would help acknowledge that “X” only works when paired with a deep dive into the underlying structures that resisted change in the first place. Ultimately, tokenism fails because it remains trapped in the realm of simplistic intention (“We did X, so we are done”). Real inclusion requires moving past the frustration of unmet expectations and engaging in the ongoing, often difficult journey of constant adjustment and systemic honesty.

3. Inclusive systems by design: rewiring social architecture through SMEs

If superficial approaches fall short, what does it look like to truly embed DEI into the design of systems? It begins with recognizing that inclusion must be built in from the ground up, not bolted on (Costanza-Chock, 2020). This implies a shift from seeing DEI as a separate program to seeing it as a lens for all decisions and designs, which includes how we structure organizations, how we develop products, and how we shape policies (D'Ignazio and Klein, 2020; Irani et al., 2010). Inclusive systems design means that at every stage, we ask: Who is this including or excluding? This aligns with Costanza-Chock's (2020) design justice principles, which emphasize that those most impacted by design decisions should lead the design process. Such questions need to become part of the design process.

Concrete frameworks are emerging to guide this process. For instance, Sánchez Rodríguez et al. (2021) emphasize scaling social innovations in a way that explicitly includes marginalized groups, noting that scaling

efforts occur in the context of complex adaptive systems and must incorporate inclusion throughout. They found that many existing frameworks for growing social impact rarely consider the complexity of the environment or plan for inclusion, leading to incomplete success. To fill this gap, they propose multidimensional approaches that map out where inclusive actions should be taken across all phases and directions of scaling an innovation (see Sánchez Rodríguez et al., 2021). In essence, rather than assuming a good idea will automatically benefit everyone as it grows, one must intentionally design the growth process to be inclusive, for example, by involving community members in decision-making, adapting solutions to local contexts, and addressing barriers that might prevent certain groups from accessing the innovation. Indeed, one could argue that if designed with inclusive principles as a core foundation, the scaling potential becomes virtually unlimited; inclusive systems can continually adapt and expand to serve broader populations, whereas scaling within homogeneous groups inevitably encounters market saturation and growth limits as the addressable population narrows (Wickham et al., 2025).

Another illustrative example comes from the domain of energy and entrepreneurship. Researchers Osunmuyiwa and Ahlborg (2019, 2022) developed a framework called GSIEE (Gender and Socially Inclusive Electricity for Entrepreneurship) to explicitly link technology design with DEI goals. This framework emerged from their recognition that while electricity access is often promoted as a catalyst for economic development, existing approaches rarely consider whether energy systems can be designed in gender-sensitive ways to promote equal entrepreneurial opportunities.

The GSIEE framework operates on two interconnected levels. First, it examines how entrepreneurs in local contexts interact with renewable electricity systems (RES) and how this access stimulates new entrepreneurial opportunities and enables small businesses to develop novel products or services. Second, and critically, it investigates how electricity systems may inadvertently rely on and perpetuate existing socio-political structures and institutions that maintain socio-economic and gendered imbalances—thereby affecting entrepreneurial outcomes even when technical access is provided.

When Osunmuyiwa and Ahlborg (2022) applied this framework in rural Tanzania, they found that while access to renewable electricity did boost entrepreneurial activities overall, significant gendered differences

emerged in entrepreneurs' capacity to initiate and sustain new product or service offerings. Although electricity access positively affected perceptions about female business ownership and social status, most women entrepreneurs remained confined to low-growth enterprises due to persistent socio-economic and power imbalances.

In other words, providing technical infrastructure alone, without addressing underlying structural inequalities, proved insufficient to generate genuinely inclusive entrepreneurial outcomes. The framework thus illustrates how DEI must be embedded within technology design itself, explicitly accounting for how infrastructural interventions interact with existing power structures and social norms to either challenge or reinforce patterns of exclusion.

Their aim was to make explicit the linkages between electricity, gender, and entrepreneurship to help (re)design socially inclusive electricity systems that tackle gender barriers to entrepreneurship at local and national levels. This is a powerful case of inclusive systems design by recognizing that something as technical as an electricity provision system can either reinforce inequalities or help overcome them. By redesigning the system with input from women and marginalized entrepreneurs through designing affordable connection models, training programs, and equitable access to financing, the initiative created conditions where women could start and grow businesses rather than being left in the dark (literally and figuratively). Such efforts underscore that inclusive design is both social and technical, and it is about rethinking policies, infrastructure, and processes in tandem with empowering people. When done well, the outcome is not just a fairer system but a more innovative and resilient one. In the GSIEE case, drawing on the talents of women in the community leads to new businesses and economic growth, benefiting everyone.

A critical enabler of inclusive systems design is the involvement of SMEs and entrepreneurial actors (see Morris et al., 2015; Bruton et al., 2013; Tobias et al., 2013). Inclusive systems design hinges on engaging SMEs and entrepreneurs (Morris et al., 2015; Bruton et al., 2013; Tobias et al., 2013). Unlike large firms' performative DEI, resource-constrained SMEs often view such gestures as irrelevant or threatening (Hawksley, 2021). European SMEs cite limited time, budgets, and lack of formal HR as primary barriers (European Commission, 2015). However, their flatter hierarchies and inherent flexibility make them paradoxically better suited for authentic, non-performative inclusion (Koçyiğit and Akkaya, 2020; Arsawan et al., 2022). By leveraging these collaborative structures,

SMEs can move beyond symbolic acts to gain true adaptive advantages (Arsawan et al., 2022).

Smaller and newer organizations often have greater agility to experiment with novel approaches and can embed values from the start, whereas large incumbents may be constrained by legacy structures. Moreover, SMEs collectively make up a huge portion of the economy and employment. According to the OECD (2023), empowering SMEs and entrepreneurs is crucial to sustainable and inclusive growth as these firms fuel innovation and competition and champion inclusion and represent the lifeblood of local economies and communities. In other words, inclusive progress at the macro level (society) partly depends on countless micro-level efforts by small businesses and start-ups that choose to innovate in inclusive ways. Entrepreneurial actors tend to have a bias for action and can often see opportunities where large bureaucracies see headaches. They can prototype solutions to inclusion challenges, whether it is a tech start-up developing an app for people with disabilities or a local small business proactively hiring and training people from historically marginalized neighborhoods. These bottom-up innovations accumulate into broader social change, especially if they can be scaled or replicated.

However, to fully leverage SMEs for inclusive design, supportive ecosystems are needed (see Klingler-Vidra, 2019). This includes access to funding for underrepresented entrepreneurs, mentorship networks, and policies that encourage inclusive business practices. It also means knowledge sharing: small firms should not have to reinvent the wheel in isolation. Communities of practice can help disseminate what works (and what does not) in inclusive innovation. Furthermore, this calls for a radical rethinking of knowledge itself, moving beyond questions of who gets to make authoritative knowledge claims, as Foucault might frame it, toward reimagining knowledge as communal rather than proprietary (Foucault, 1980). When knowledge about inclusive practices is treated as a shared resource rather than competitive intellectual property, SMEs and communities can collectively build upon each other's insights, accelerating transformative change. For example, one entrepreneur might pilot a new hiring practice to reach talent in overlooked communities; if successful, this model can spread to other businesses. Complex systems thrive on variation and selection; therefore, many ideas tend to be tried in parallel, which ensures that the effective ones spread. By having many SMEs experiment with inclusive strategies, we increase the odds of finding transformative approaches. The role of intention here is to set the direction and then encourage diverse actors to pursue it in their own

contexts, learning and adapting as they go. It is a far cry from a top-down mandate; rather, it is more about cultivating a landscape of innovation and letting adaptation and self-organization do the rest.

It is also noteworthy that inclusive design is linked to resilience and long-term sustainability. When systems are designed to include those who have been historically marginalized, they often become more robust. This is partly because they tap a wider pool of talent and ideas, and partly because they build trust and legitimacy. For instance, a government service designed with input from all demographics will likely see higher adoption and less resistance, making the public system stronger. A McKinsey workshop on design recently underscored that inclusivity is not just a social imperative, but also a strategic way to build more resilience into products and services (Tupe, 2023). Whether in business or public policy, designing for the full range of human diversity leads to solutions that can adapt to change and serve more people under more conditions. An inclusive product might, for example, work better for people with disabilities and therefore also be easier to use for everyone, the classic curb-cut effect. By contrast, designs that assume a narrow average user may fail disastrously when conditions shift or when taken up by a broader population.

4. Leadership in complex systems through distributed agency and emergent change: embedding DEI in SMEs' daily work

In a complex entangled system, agency is not centralized; it is distributed among many participants and even the environment itself (Emirbayer and Mische, 1998; Garud and Karnøe, 2003). This has profound implications for DEI. Traditional views might cast a few individuals (executives, HR leaders, etc.) as the primary agents of diversity and inclusion, responsible for driving initiatives. A complexity view, by contrast, sees every member of the system as an agent who influences, and is influenced by, others. Change emerges from countless micro-interactions, such as everyday conversations, decisions, and behaviors that collectively shape culture (Lichtenstein, 2000; Chiles et al., 2004; Baxter, 2011; Fairclough, 2014). No single actor can deliver inclusion by intention alone; it must be co-created by entire communities. Vaara et al. (2025) illustrate this in their study of an academic community, noting that the identity of the organization is not defined by its formal leaders' decisions, choices, or statements so much as by the discussions and debates about issues

of concern for the community, through dialogic identity work. In other words, who we are (as an organization or community) is a product of ongoing collective dialogue and identity work, not just leadership edicts. Agency is circulatory, where leaders set tones and provide structures, but the community at large continually negotiates and redefines its norms and identity through interaction.

For SMEs, this distributed understanding of agency offers a particularly valuable pathway. Rather than investing in elaborate top-down DEI programs that may strain limited resources, SMEs can leverage their inherent relational proximity and collaborative ethos to create spaces for ongoing dialogue, team meetings where inclusion concerns are regularly surfaced, informal communities of practice where employees collectively problem-solve around equity issues, or routine reflective sessions where teams examine their own biases and behaviors. By positioning DEI not as a separate initiative but as an everyday practice embedded in how the organization talks, decides, and learns together, SMEs can mobilize the distributed agency already present in their communities. This approach acknowledges that meaningful inclusion emerges from the accumulated weight of daily micro-interactions and shared identity work, rather than from occasional diversity training or policy pronouncements alone.

This perspective highlights why inclusive change efforts must engage the whole system. If only a small subset of actors is tasked with DEI, the effort will be disconnected from the everyday ethos of the organization. Instead, everyone needs voice and agency in the process; this includes frontline employees, middle managers, clients, and stakeholders. When diverse voices are genuinely heard in shaping policies and practices, those practices are more likely to be adopted, refined, and reinforced at all levels. Distributed agency also means solutions can emerge from unexpected places. A grassroots employee resource group might pioneer practices that could be adopted by a community of SMEs, or informal conversations might surface tensions leading to creative inclusion strategies.

Complex systems often exhibit emergent properties, where outcomes that no single agent intended arise from their interactions. We see this in culture shifts; for example, a workplace may gradually become more open and accepting due to many small actions (stories shared, minor policy tweaks, mentoring relationships) that build on each other. The intention of inclusion, in this sense, must be woven into the fabric of interactions rather than implemented as a top-down program. **Everyone's choices**

Aravind K. Chenthran
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matter, but so do the feedback loops between individuals. As Gershenson and Heylighen (2005) suggest, a network of agents connected through many communication channels can spontaneously improve by learning from experience, as effective interactions get reinforced and ineffective ones fade out. This kind of self-organized learning is the holy grail of sustainable DEI; when inclusion becomes a self-reinforcing norm, not needing constant external enforcement.

However, such distributed learning is still slow and unreliable in typical organizations if left to chance (Gershenson and Heylighen, 2005). It works best when organizations consciously apply principles of self-organization and feedback, for instance, creating mechanisms for people to share experiences and best practices, or setting up systems that naturally connect those who have inclusion challenges with those who have solutions. In short, the role of leadership in a complex, entangled system is not to micromanage outcomes but to facilitate connections, remove barriers, and let the collective intelligence emerge.

5. Navigating paradoxes in DEI within the European SMEs

Embracing DEI as a core practice in a complex world also means embracing paradox (Smith and Lewis, 2011; Ferdman, 2017). Complex social systems are rife with persistent, contradictory demands that result in tensions that cannot be resolved at once but must be continuously navigated. European SMEs bring distinctive organizational features to this challenge, features that can both enable and complicate paradox navigation. Their relational embeddedness in local communities (Uzzi, 1997; Jack et al., 2008), flexible organizational structures (Welsh and White, 1981; Mintzberg, 1979), and often values-driven management approaches (Spence, 1999; Jenkins, 2004) create unique conditions for engaging with paradoxical tensions in DEI work.

Inclusivity itself often presents paradoxical tensions. For example, an organization might strive to be open and welcoming to all (inclusivity) while also having certain membership criteria or exclusive spaces to preserve cultural integrity or safety (exclusivity). Vaara et al. (2025) and Baxter and Montgomery (1996) identify inclusivity and exclusivity as one of several paradoxical tensions their community had to manage, describing it as identity work of balancing openness and closeness. For European SMEs, this paradox takes on particular dimensions given

their typical rootedness in specific regional and cultural contexts. Many European SMEs, particularly those in craft-based or traditional sectors, carry forward localized knowledge systems and occupational identities that are simultaneously sources of community coherence and potential barriers to newcomers (Audretsch and Lehmann, 2005). The German *Mittelstand*, for instance, exemplifies organizations deeply embedded in their *Standort* or their specific location and regional ecosystem, where identity is tied to both local tradition and the capacity to innovate globally (Simon, 2009; Audretsch et al., 2018).

Such paradoxes are non-resolvable in the sense that there is no permanent solution, only a dynamic equilibrium where the needs on both sides are acknowledged and attended to over time. Here, the temporal orientation common to many European SMEs becomes relevant. Unlike publicly traded corporations facing quarterly earnings pressures, many non-listed European SMEs, particularly family-owned firms, operate with patient capital and longer time horizons (Berrone et al., 2012; Jaskiewicz et al., 2015). This temporal patience can support the sustained attention that paradox navigation requires, allowing organizations to experiment with integrative solutions over years rather than seeking immediate resolution (Lubatkin et al., 2005). Trying to eliminate the tension, for instance, by being singularly inclusive with no boundaries, or rigidly exclusive to preserve tradition, would undermine the system's health. Instead, the organization must learn to live in the paradox, using a both/and approach.

The both/and approach contrasts with the classical either/or logic (Jarzabkowski et al., 2013; Zhang et al., 2015). Instead of choosing between competing demands, leaders and community members seek integrative solutions or creative compromises that honor both sides of a paradox. The organizational structure of SMEs can facilitate this adaptive approach. With flatter hierarchies and greater proximity between management and employees (Kotey and Slade, 2005; de Kok et al., 2006), European SMEs often enable more direct dialogue across organizational levels. This structural informality, sometimes termed “organic” organization (Burns and Stalker, 1961), allows for the kind of improvisational coordination that paradox navigation requires. Inclusivity vs. exclusivity might mean being very inclusive in inviting participation and voice, while also recognizing the need for certain affinity groups or safe spaces for marginalized members to facilitate openness with mindful boundaries (Solebello et al., 2016).

Navigating paradox, the ability to hold competing demands in productive tension rather than resolving them into an either/or choice, is a skill of complexity mindset. It requires comfort with ambiguity and an understanding that conflicting values can coexist and even reinforce each other in the long run. European SMEs' resource constraints, paradoxically, can foster what Baker and Nelson (2005) call "bricolage", creative problem-solving by making do with what is at hand and recombining existing resources in novel ways. This bricolage capability, observed across European SME contexts (Senyard et al., 2014; Stinchfield et al., 2013), can translate into innovative approaches to DEI paradoxes, finding low-cost but culturally meaningful ways to honor multiple stakeholder needs simultaneously.

Research suggests that in pluralistic contexts, such as diverse communities or organizations, paradoxes are navigated through collective processes and leadership that can hold tension rather than force false choices (Denis et al., 2012). This often entails what Vaara et al. (2025) call collective leadership, essentially a distributed form of leadership where multiple people across levels engage in the sense-making and decision-making needed to address these tensions. The relational density of SMEs—where employees often maintain multiplex relationships spanning work and community life (Granovetter, 1985; Ram et al., 2001) can support such distributed leadership, though it can also make conflict avoidance more tempting when tensions arise.

A practical illustration is the tension between innovation and tradition, yet another common paradox particularly salient for craft-based European SMEs. An organization committed to equity might wrestle with how to honor long-standing cultural traditions and occupational practices to preserve continuity, while also changing practices that have excluded certain groups to instigate change. In European contexts, where many SMEs participate in institutionalized apprenticeship systems and sector-specific training regimes (Crouch et al., 2009; Thelen, 2004), such tensions connect to formal institutional structures beyond the individual firm. This is not solved by a one-time decree but by ongoing dialogue and perhaps adapting traditions in consultation with those who were previously marginalized, thereby creating new traditions that carry forward the spirit of the old in a more inclusive way. The embeddedness of SMEs in local labor markets and community networks means this dialogue necessarily involves external stakeholders, local schools, chambers of commerce, regional development agencies, making DEI work inherently relational and ecosystem-level rather than purely organizational.

The key is a dialogic process, to enable continual conversations where stakeholders reflect, “Who are we? Who do we want to be? How do we include new voices while respecting our history?” Such identity work, as Vaara et al. (2025) emphasize, is central to managing paradoxes. Identity, be it organizational or individual, is not static, but is formed and reformed through these conversations. For European SMEs operating within distinct regional institutional contexts, from Nordic social democracy to Mediterranean familism to Rhineland stakeholder capitalism (Hall and Soskice, 2001; Amable, 2003), this identity work necessarily engages with broader questions of how firms relate to their institutional environments and what social purposes they serve (Spence, 1999). DEI becomes a core practice here in that maintaining a healthy identity in a changing world requires inclusive dialogue. The moment an organization stops engaging diverse perspectives in defining its path, it risks falling into stagnation or one-sided decisions that exacerbate tensions. Yet the very smallness and informality that can enable dialogue in SMEs can also become sources of insularity if not actively countered (Edwards et al., 2003; Marlow et al., 2010).

It is worth noting that these paradoxical tensions are not unique to any single organization; in fact, they are widespread in the entangled modern landscape. Moreover, such tensions intersect with broader trends. For example, an organization might simultaneously aim for inclusivity and sustainability and find that making progress on one raises challenges for the other, for instance, hosting an inclusive global conference versus reducing carbon footprint. For European SMEs navigating tightening environmental regulations while also addressing labor shortages and demographic shifts (European Commission, 2022), these intersecting paradoxes are lived realities rather than theoretical abstractions. This intersection of goals is exactly what an entangled world looks like, where everything is connected, and we must navigate multiple important values at once. DEI cannot be isolated from other system goals like economic viability or environmental responsibility as it is interwoven.

The hidden champions among European SMEs, firms that achieve global market leadership in specialized niches while remaining locally rooted (Simon, 2009), demonstrate that navigating such complexity is not only possible but can be a source of competitive advantage when done well. Hence, cultivating paradox navigation skills by embracing complexity, listening to differing perspectives, and finding adaptive responses, while attending to the specific organizational features, institutional contexts,

and resource realities of European SMEs, is a critical aspect of DEI as a core practice.

6. Conclusion: toward resilient and equitable futures

In an era defined by unpredictability, global interdependence, and rapid change, the principles of DEI are fundamental to resilience and adaptability for European SMEs. These firms comprising 99 percent of European enterprises and employing two-thirds of the continent's workforce face mounting pressures from demographic shifts, skills shortages, regulatory complexity, and sustainability demands. DEI initiatives ensure that SMEs have the requisite variety to handle shocks, the distributed agency to innovate locally, and the ethical grounding to unite stakeholders around shared purpose even amid paradoxical demands. Reframing DEI through the lens of complexity positions it as far more valuable than a corporate checklist item borrowed from large firm practice. Instead, it becomes a foundational practice for building diverse organizational cultures, developing cultural intelligence across often multigenerational workforces, and encouraging adaptive behaviors that help small firms navigate turbulence while maintaining their distinctive regional embeddedness.

To treat DEI as ancillary, a luxury for resource-rich corporations, is to cling to an outdated mode of thinking that separates people issues from business survival or imagines SMEs can thrive in isolation from their changing communities. Instead, a complexity-oriented mindset recognizes entanglement: SMEs' fates are intertwined with their local labor markets, supply networks, customer bases, and institutional ecosystems across time. Pursuing equity and inclusion is not a zero-sum distraction from competitiveness; it is integral to sustainable business continuity in aging, diversifying European societies. When SME leaders design inclusion into hiring, training, succession planning, and stakeholder engagement, they actively rewire organizational architectures to be more just and more robust. They future-proof their enterprises by building networks of mutual support and understanding with diverse talent pools, community partners, and market actors, networks that can withstand and adapt to demographic, technological, and economic shifts.

To be sure, this is challenging, reflective work that compels SME leaders to reconsider assumptions about control, tradition, and informality. It

requires accepting that firms must often proceed without full certainty, learning as they go—an approach that aligns with the bricolage and improvisation already characteristic of SME management. It asks for humility, recognizing that owner-managers do not have all the answers, and for imagination in embracing both/and possibilities rather than false dichotomies between tradition and change, local rootedness and openness, efficiency and experimentation. It asks leaders to view workforce diversity as a source of collective intelligence that opens ways to see problems and solutions that homogeneous networks overlook, particularly vital for hidden champions seeking global niches while remaining locally anchored. It demands patience and persistence, because emergent cultural change in close-knit organizations can be slow before tipping points emerge.

Yet the reward is significant. European SMEs that commit to inclusive complexity by making DEI core practice position themselves to create resilient, equitable futures for their firms, employees, and regional ecosystems. Progress becomes measured not merely by growth metrics but by how well firms cultivate environments where diverse talents can thrive, contribute, and belong across generations. This is not utopian idealism but practical necessity. Europe's competitive advantage increasingly depends on SMEs' ability to attract talent in tight labor markets, serve diverse customer bases, and collaborate across difference in innovation ecosystems. These capabilities, by definition, require inclusive engagement.

Reframing DEI in this SME context is both a philosophical shift and a call to action. It is philosophical in challenging owner-managers and employees to rethink agency, tradition, and organizational identity as collaborative and emergent rather than static and top-down. It is a call to action in urging SME leaders, business associations, and policy actors to embed inclusion into everyday practice, not for virtue signaling but to harness the full complexity of human ingenuity in resource-constrained settings. By doing so, European SMEs align with their actual operating reality: deeply embedded in communities, unpredictably creative through necessity, enriched by regional diversity. Facing complexity requires changing ways of thinking; it must therefore change how SMEs build inclusive, thriving enterprises. The task, albeit difficult for small firms with limited formal structures, is nevertheless worthwhile—showing the path to truly sustainable and humane regional economies.

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3

Diversity management in European companies: intersectionality and individual experiences of bias at work

*Aaron Kiverä, Aušrinė Šilenskytė and
Tiphaine Delecour*

1. Introduction: why does intersectionality in European companies matter?

Consider this example:

Li is newly employed in a Swedish multinational technological firm, and although the official language is English she finds that Swedish is often used in everyday work situations. She does not generally initiate ideas, demonstrate her knowledge or argue for her suggestions without being asked to do so. Other employees, not necessarily the ones with something relevant to share, tend to dominate. How could managers understand and approach this problem? Some scholars would say: This behaviour is typical of someone from the Chinese culture. Others would say: No, it is because of her gender! Yet others would realize the difficulties of working in an English-Swedish mixed environment for a non-Swedish speaker. (Lücke et al., 2018, p. 299)

The opening example illustrates one of the key challenges we set to explore: how intersectionality affects experiences at work in smaller European companies. Intersectionality means how different aspects of a person's identity—such as gender, race, age, or class—interact with each other and with the surrounding context to shape their experiences. Furthermore, we explore what managers should consider when addressing intersectionality issues in their company management.

Diversity management (DM) research has long recognised that individuals' experiences of inclusion and exclusion in organisations are shaped by multiple identity dimensions such as gender, age, ethnicity, ability, sexual orientation, etc. However, contemporary scholarship increasingly highlights that these dynamics are not static attributes of individuals but relational and context-dependent (Primecz and Mahadevan, 2025; Zanoni et al., 2010). The same person can be privileged in one setting and marginalised in another, depending on how organisational processes, norms, and institutional expectations interact with their social positioning (Tatli and Özbilgin, 2012; Holck, 2018). People who occupy complex identity positions may therefore encounter bias differently across these contexts (Mahadevan, 2020). For instance, intersectionality-informed studies in international business show that individuals may experience both marginalisation and privilege simultaneously across cultural or organisational boundaries (Primecz and Mahadevan, 2025; Syed and Özbilgin, 2019). Such findings call for shifting the analytical lens from hierarchies based on identity labels toward understanding *when* and *where* bias occurs most strongly, and *why* some domains amplify inequalities more than others. Intersectionality offers an interpretive framework for exploring these contextual variations and research on it call for further investigation into how to manage these complex dynamics.

One such important context in every business is human resource management (HRM) process, a strategic business function concerning employee management to achieve business goals (Bratton et al., 2021). Within HRM, discrimination has been typically investigated as a general or global experience (Kulik, 2014). However, recruitment, training, performance evaluation, and everyday inclusion each implicates distinct power relations and evaluation criteria (Healy et al., 2011) thereby providing diverse context to explore experiences of intersectionality. Recognising that experiences of diverse individuals may differ in each HRM domain blurs the line between who is and who is not disadvantaged within the HRM process and requires further attention if firms hope to create an inclusive workplace.

Unlike in North America, in Europe intersectionality remains less researched, despite continuous institutional efforts in the European Union (EU) to promote appreciation of diversity and existing legal frameworks to support best practices and create legal obligations (e.g., the Corporate Sustainability Reporting Directive (CSRD)). The situation regarding reported discrimination remains pressing. In the EU, 'over 21% of people aged 15 years and older reported experiencing discrimination in

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the preceding year' and '56% of people who identify as part of a minority group based on their ethnicity or skin colour, disability status, religion, sexual orientation or gender identity state that they have experienced discrimination in the preceding year – up from 46% in 2019' (OECD, 2024, pp. 10 and p. 4). The situation concerning self-reported discrimination is particularly high in some countries, such as Austria, Sweden, and Germany among others who score above the EU average for discrimination in society (OECD, 2024, p. 11).

In Europe, where cultural and linguistic diversity was historically present across countries, changes in the demographic composition bring new challenges to societies and local managerial practices. Considering internal issues in the continent, Europe is one of the fastest-ageing continents (Eurostat, 2025a), where youth unemployment remains rather high at 14.5 per cent, compared to an average general unemployment rate of 5.8 per cent (Eurostat, 2025b). The EU has long-standing internal short-term mobility programmes, like ERASMUS+, that often result in long-term relocations as students or faculty might find work or a partner in the country they visited during their short-term mobility period, contributing to increasing diversity within European countries. In terms of externally influenced changes, Europe has undergone several migration crises, including one in 2015, the consequences of which are still felt today in societal, political, and business domains (Squire, 2020). Some countries, such as Finland, have adopted aggressive education internationalisation policies that led to steep yearly increases of immigrants from outside the EU who seek to stay in the country or the EU after completing their degrees, but often face challenges of integration (Lu and Everson Härkälä, 2024; Institute of International Education, 2023). Therefore, the demographic situation in Europe has been very fluid and requires further investigation on how to better understand and address the experiences of individuals in social and organisational life.

This chapter responds to these needs by situating the playing field away from a North American perspective, which has thus far dominated the intersectionality and bias discrimination research, to how perceived discrimination differs across HRM processes in European small- and medium-sized enterprises (SMEs). SMEs, defined as companies that employ fewer than 250 people and have less than 50 million euros in turnover, comprise 99 per cent of all businesses in the EU (European Commission, n.d.). They wield a significant amount of power in reshaping individual experiences at work in the European context.

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Drawing on survey data from Austria, Finland, Germany, and Lithuania, we analyse how individuals with different identity constellations, i.e., combinations of socially meaningful categories such as gender, age, student status, and ethnicity, perceive bias in six different HRM domains: recruitment, inclusion, advancement, training, evaluation, and workplace adjustments known as accommodations. Rather than presuming that those with more intersecting minority identities automatically face greater discrimination, we investigate how specific HRM contexts activate or silence perceptions of unfair treatment. Our results show that intersectional disadvantage is neither uniform nor cumulative; instead, discrimination varies across HRM processes, suggesting that the organisational context mediates and sometimes blurs expected patterns of inequality.

By incorporating intersectionality within HRM contexts, this study advances recent debates on contextual intersectionality in organisations (Atewologun, 2018; Primecz and Mahadevan, 2025; Zanoni et al., 2010). We argue that understanding discrimination through context-specific processes challenges the binary distinction between ‘privileged’ and ‘disadvantaged’ groups as originally argued in classical research on intersectionality (Crenshaw, 1989). In doing so, we contribute to a more nuanced diversity management perspective: one that recognises how inclusion and exclusion are dynamically produced (e.g., Primecz and Mahadevan, 2025) through everyday HRM practices rather than pre-existing identity categories and without reducing specific identity configurations into ‘dominant’, i.e., privileged, or ‘non-dominant’, i.e., disadvantaged, identities.

2. Intersectionality effects on individual experiences of bias at work

2.1 Conceptualising intersectionality in the context of European business

Classically, intersectionality has focused on race and gender, especially in North America. Crenshaw (1989, 1991) and subsequent Black feminist and critical race scholars have demonstrated that focusing on ‘gender’ or ‘race’ alone can obscure the lived realities of, e.g., Black women, whose experiences cannot be reduced to the sum of sexism and racism (Cho et al., 2013; Collins, 2015). This work has highlighted how multiple systems of power, including racism, sexism, ageism, classism, ableism, and

heteronormativity, interlock in ways that generate specific configurations of advantage and disadvantage (Bowlge, 2012; Carbado et al., 2013).

While much research has treated intersectionality as an additive model of disadvantage, recent organisational research warns against simplistic counts and labelling of identity categories and calls instead for attention to structures, discourses, and contexts (Atewologun, 2018). Moreover, the classical derivation of intersectionality is somewhat problematic in the European context where addressing one's race has historically been avoided (Mahadevan, 2020). Recent organisational and cross-cultural management research has further emphasised that intersectional dynamics are deeply contextual (Atewologun, 2018; Holvino, 2010; Zanon et al., 2010). Rather than simply adding more diversity categories, the intersectionality lens suggests that each mix of a person's social identities creates a unique position in society, shaped by law, policy, organisational practices, and cultural discourses (Mahadevan, 2020).

Researchers in critical cross-cultural management further argue that the diversity categories used to understand and manage DEI issues are not universally transferable. Rather, they are specific to the national, social, political, and cultural environment in which they are employed, and to a particular moment in time (Syed and Özbilgin, 2009; Primecz and Mahadevan, 2025). This implies that the relevant intersections cannot simply be imported from other settings but must be deduced from the context under study, taking seriously the subjective processes through which individuals make sense of their situation. Crenshaw's (1989) original argument remains valid in this view, yet it is extended by an insistence that intersectionality must attend simultaneously to objective structures of inequality and to the ways people interpret and cope with those structures in specific organisational fields (Tatli and Özbilgin, 2012).

The same identity constellation can be privileged in one setting and marginalised in another, depending on how local norms, sectoral logics, and institutional regimes operate (Köllen, 2019; Sinicropi and Cortese, 2021). Primecz and Mahadevan (2025) show, for instance, how managers and employees in international business environments may simultaneously benefit from and be disadvantaged by different aspects of their identities as they move between national and organisational fields. They argue that diversity categories are not fixed entities, but fluid constructs whose meaning changes across contexts, and that intersectionality therefore blurs a straightforward understanding of who is favoured and who is disadvantaged at work. This contextual focus shifts attention away from

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simply ranking groups and towards examining where and how bias materialises in concrete organisational processes, and it challenges simple business case logics that treat diversity categories as stable resources to be managed (Primecz and Mahadevan, 2025).

At the same time, intersectionality scholarship reminds us that some patterns of discrimination cut across contexts. For instance, Roma communities constitute the largest ethnic minority in several Central and Eastern European countries and continue to face pronounced discrimination across the intersections of culture, ethnicity, and race (European Commission, 2021). Such examples illustrate both the context specificity of diversity categories and the persistence of structural inequalities that span national settings, and they underscore the need for intersectionality-informed analyses that can capture these multilayered dynamics.

Therefore, to ensure we can further enhance the understanding of intersectionality in the European context, instead of describing identities we investigate how different identities intertwine with the cultural context they emerge in (Romani et al., 2018). Intersectionality thus becomes a *lens* rather than a variable: it sensitises researchers to how the salience and meaning of identity can change across organisational processes and how certain contexts render specific intersections visible or invisible (Holvino, 2010; Primecz and Mahadevan, 2025). These insights reinforce our decision to focus on identity configurations that respondents themselves indicated as meaningful in relation to their work experiences. Instead of predefining who counts as ‘disadvantaged’, we attend to those identity dimensions that participants report as relevant in their organisational context.

We recognise that adopting an intersectional lens in companies is challenging. Organisational and legal infrastructures in many European countries remain structured around single characteristics such as gender or disability, which limits the room for recognising and acting on more complex constellations (Kornau et al., 2023; La Barbera et al., 2024). Managers often lack tools to diagnose intersectional patterns and may be unsure how to respond without reproducing hierarchies between groups (Primecz and Mahadevan, 2025).

Building effective DM and HRM policies and practices remains a challenge for many organisations (Ayoko and Fujimoto, 2023). In both research and practice, DM has typically relied on relatively stable and clearly bounded categories such as gender, age, ethnicity, disability, or

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migration background, and has asked how the needs of each identified group can be addressed through targeted initiatives (Collins, 2015; McCall, 2005).

Policy frameworks and organisational guidelines in Europe often mirror this approach by naming a small set of protected characteristics and designing single issue interventions around them (European Commission, 2015). While this has been crucial for establishing legal protection and visibility, it risks treating diversity dimensions as separate silos and underestimating how people's experiences of bias are shaped by the interaction between multiple identities and specific organisational contexts (Shortland and Perkins, 2022; Yadav and Lenka, 2023).

Scholars therefore call for empirically grounded, context-sensitive studies that can reveal how different identity constellations are linked to specific experiences of bias across multiple HRM domains, and how such knowledge can support less discriminatory managerial practices (Hankivsky, 2014; Sinicropi and Cortese, 2021; Woods et al., 2022).

In this chapter we respond to these calls by treating intersectionality as an analytic sensibility (Carbado et al., 2013) or investigative lens rather than as a variable that can be directly measured. We focus on how individuals with different identity constellations describe their experiences of bias across key HRM domains, namely recruitment, inclusion, evaluation of work results, access to training, career advancement, and accommodations in European organisations. By centring on HRM contexts, we ask not only who reports bias but also in which domains this bias is most salient. This enables us to explore how specific processes may activate or mute disadvantage for particular identity constellations, and how patterns of discrimination can shift across work domains. The aim is not to determine whether one group is 'more oppressed' than another, but to examine how context shapes the breadth and intensity of bias that individuals perceive.

2.2 The breadth and depth of bias for understanding intersectionality in work experiences

Following Warner's (2008) and Woods et al.'s (2022) critique of 'oppression Olympics', i.e., critique of treating oppression as a competition by comparing whose struggles are 'worse', instead of focusing on solidarity and collective solutions, we deliberately avoid conceptualising intersectionality as a simple hierarchy of suffering. Instead, we distinguish

between two complementary aspects of perceived bias: breadth and depth. *Breadth* refers to the number of identity dimensions, such as gender, age, ethnicity, and student status, along which an individual reports experiencing bias in each HRM domain. *Depth* refers to the maximum intensity of perceived bias reported on any of these dimensions within that domain. This distinction is a heuristic device to capture how widely and how strongly individuals feel targeted in specific processes, while recognising that any attempt to quantify bias inevitably simplifies complex experiences and should not be used to compare whose discrimination is 'worse' (Bowleg, 2012; Woods et al., 2022).

Existing research suggests that individuals who occupy more complex social positions, i.e., those who hold multiple overlapping identity factors, are likely to encounter bias in more areas of their working lives, but not necessarily in a straightforward or linear way. For example, Salter et al. (2021) show that multiple minority statuses do not simply accumulate into uniformly worse attitudes in the workplace. Rather, different constellations of race, gender, and other identities produce distinct patterns of experience. Similarly, people may experience substantial disadvantage in some organisational arenas and relative privilege in others, sometimes at the same time (Lücke et al., 2018; Primecz and Mahadevan, 2025; Syed and Özbilgin, 2019). These findings resonate with the idea that context mediates intersectional effects and that the same identity constellation may be vulnerable depending on the HRM domain.

In this specific study, we focus on identity constellations that respondents themselves identified as salient to their work experiences in European organisations: gender, age, ethnicity, and student status. We expect that these constellations will be associated with different patterns of perceived bias across HRM domains. Importantly, however, we do not assume that holding more identity positions automatically translates into uniformly higher levels of discrimination. Instead, we anticipate that complexity will primarily be reflected in the spread of bias across domains, while the maximum intensity of bias within each domain may vary in nonlinear and context dependent ways (Atewologun, 2018; Woods et al., 2022).

We therefore theorise that individuals with more complex identity constellations are likely to encounter bias in a greater variety of HRM domains, because their multiple social positions can be devalued under different organisational logics, e.g., age norms in training decisions, gendered assumptions in promotion, or racialised expectations in recruitment. At the same time, individuals with a single salient non-dominant

Justine S. Sliemkovic, Margaret Fletcher, Jurgita Butkuvy, Jones, and Chenthuran Jaylon - 9781035361243

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identity, for instance older workers or students, may experience as intense or even more intense bias in specific domains where that identity becomes especially visible or contested, such as training access or evaluation of work results in smaller firms. In that sense, intersectionality does not describe a simple gradient of disadvantage but a complex, contextually mediated pattern of who is disadvantaged, when, and where (Holvino, 2010; Primecz and Mahadevan, 2025; Zanoni et al., 2010).

Considering the above, we develop expectations about how identity constellations relate to perceived bias across HRM domains in European firms. When developing these expectations, we also recognise the fact that individuals can experience inequalities in different ways as their intersecting diversity dimensions create one set of experiences in one context, e.g., discrimination, but another set in a different context, e.g., relative privilege (Woods et al., 2022). Accordingly, we formulate the following hypothesis:

H1: Individuals with diverse constellations of identity will experience bias at work differently across HRM domains, namely recruitment, inclusion, evaluation of work results, access to training, career advancement, and receiving accommodations at work.

Second, and in line with the argument above, we posit that the relationship between identity complexity and bias is not linear or purely cumulative. Rather than assuming that more intersecting identities always correlate with higher maximum levels of perceived bias, we expect that complexity is more strongly reflected in the breadth of bias. Individuals with more complex identity constellations are likely to report bias across more HRM domains, while the depth of bias within each domain can remain moderate and is likely to vary by context (Salter et al., 2021; Warner, 2008). Thus, we propose that:

H2a: Individuals with more complex identity constellations will experience bias across a wider range of HRM domains.

H2b: The complexity of identity constellations will not necessarily be associated with higher maximum intensity of bias in each HRM domain.

We further explore these assumptions in an underexplored European context, focusing on individuals working primarily in smaller firms in

Austria, Finland, Germany, and Lithuania. The selected countries differ in reported rates of discrimination in society, with Austria and Germany scoring above the EU average and Finland and Lithuania scoring below (OECD, 2024). This variety allows us to capture patterns of perceived bias in HRM processes across diverse institutional environments and to consider how national context may interact with organisational practices. In the next section, we present the methodology we used to examine how breadth and depth of perceived bias vary across HRM domains for different identity constellations in these European workplaces.

3. Methodology

3.1 Data collection

The survey was conducted as part of the DEI4SME project (Erasmus+) activities in four countries: Austria (70), Finland (71), Germany (70), and Lithuania (93), receiving a total of 308 responses, of which 304 were from relevant countries. The survey targeted individuals who were either employed or seeking employment. The attempt was to gather insights from individuals working in smaller firms (48 per cent of respondents). However, half of the respondents worked in other organisations, such as public institutions, larger international firms, or other types of organisations, most of them having some international exposure in their operations (77.3 per cent). Most respondents had medium to long work experience in companies, with over 76.3 per cent having been employed for at least over a year, and within this percentage, almost 34 per cent have been employed for five years or more (further details about the dataset, respondents' profile, and in-depth descriptive analysis are presented in the survey analysis report, see Kiverä, Šilenskytė, and Delecour (2025)).

The survey covered a large set of questions concerning demographics, reported self-identification, and individual experience at work in relation to various DEI management aspects. Survey items used seven-point Likert-type scales, with response options ranging from *Strongly disagree* to *Strongly agree*. Additional options *Don't know* and *Doesn't apply* were included to capture uncertainty or inapplicability of the question. The survey was translated into local languages of each target country by at least two native speakers and tested in the field before the start of the real data collection. This ensured comprehensibility of concepts in different languages and understanding of the concepts studied for local

respondents. Alignment across the language versions was secured by aligning the English version of the survey with all the translated versions.

3.2 Data preparation and creation of indices

In this chapter, given the focus to explore intersectionality, analysis covered only the data concerning some demographic factors and experienced biases when seeking employment and during employment reported by respondents of specific identities. Responses on experienced biases according to self-identification were originally recorded on a seven-point Likert scale: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree, 6 = Don't Know, and 7 = Doesn't Apply. Responses 6 or 7 were treated as missing and excluded from calculations and analyses. The remaining values were recorded to a symmetrical scale ranging from -2 (Strongly Disagree) to +2 (Strongly Agree) to ensure consistency in the directionality, where higher scores indicated stronger perceptions of experienced bias in certain domains, such as *recruitment*, *inclusion*, *career advancement*, *access to training*, *evaluation* of work results, and *practices* of accommodation, at work. For easier interpretation, the resulting scores were then rescaled linearly to a 0–100 scale. For each respondent, separate bias breadth and depth indices were calculated for each domain.

Breadth of bias was computed by counting the number of identity dimensions (within each HRM domain) where the participant reported moderate to strong bias (i.e., a score of 1 or 2). This provided a metric for how widely bias was experienced. *Depth of bias* (MAX score) was calculated by identifying the highest individual score across identity items for each domain. This captured the most intense perception of bias the respondent had experienced. These indices allowed for analysis to differentiate between the severity of single-identity-based bias (depth) and the extent of bias across multiple identities (breadth).

This approach aligns with intersectionality informed work that stresses the need to derive relevant intersections from the specific context rather than imposing them a priori (Tatli and Özbilgin, 2012; Primecz and Mahadevan, 2025). In the EU, legal frameworks identify certain protected characteristics, yet these do not exhaust the ways in which individuals experience inclusion and exclusion at work. By allowing respondents to indicate which aspects of their gender, age, ethnicity, and student status were linked to perceived bias, we capture both objective and subjective properties of intersectionality. Objectively, reported

experiences of unfair treatment point to patterned inequalities across HRM processes. Subjectively, they reflect how individuals interpret and attribute their experiences, which is crucial for designing diversity initiatives that address the ‘real’ problems in need of resolution rather than those that organisations have predefined in abstract terms. We return to these implications in the discussion.

By constructing these breadth and depth indices we also respond to a methodological gap in quantitative intersectionality research. Much existing work either treats social categories as separate dummy variables or focuses on single composite groups, which makes it difficult to examine how experiences of bias unfold across several domains of work at once (Zuberi and Bonilla-Silva, 2008). Our approach builds on conceptual arguments that intersectionality should be understood as an analytic sensibility that attends to both accumulated constraints and situational advantages across contexts (Carbado et al., 2013; Primecz and Mahadevan, 2025; Thatcher et al., 2023). The breadth index captures the extent to which respondents experience bias as touching multiple aspects of who they are in each HRM domain, while the depth index captures the most intense experience of bias within that domain. Together, these indicators allow us to move beyond single episode or single category perspectives and to explore how repeated, moderate exclusions and occasional high intensity experiences combine in different HRM domains. They also make it possible to compare patterns across countries and organisational types, which is crucial in the European context where diversity categories and their intersections are strongly shaped by national and sectoral conditions (Kiverä et al., 2025).

3.3 Assumption checks and statistical approach

Initial analyses tested assumptions for parametric testing (ANOVA), including normality (via Shapiro-Wilk tests and visual QQ-plots) and homogeneity of variances (via Levene’s test). Several variables demonstrated significant deviations from normality, and unequal variances were present across identity groups. Due to these violations, we opted for more conservative non-parametric alternatives (for a differing view on the robustness of ANOVA to these violations see Norman (2010)).

Kruskal-Wallis H-tests were used to compare breadth and depth scores across four identity complexity groups (1 identity, 2 identities, 3 identities, and 4 identities); for simplicity, only one specific set of identity complexity progression was used (Gender, Age, Student Status, and Ethnicity).

where 1 identity meant those identifying with only 'Gender'. This method was appropriate for ordinal or non-normally distributed interval data and did not assume equal variances (Field, 2013). All analyses were conducted using IBM SPSS Statistics (version 26), and statistical significance was determined using a threshold of $p < .050$.

3.4 Correlational analyses and post-hoc comparisons

To explore the relationship between breadth and depth of bias, Spearman's rank-order correlations were computed for each HRM domain. This non-parametric method was chosen due to the ordinal nature of indices and non-normal distributions. These correlations allowed us to assess whether broader experiences of bias co-occurred with higher levels of severity in at least one specific domain.

When the Kruskal-Wallis test showed significant group differences, pairwise comparisons were conducted using Bonferroni-adjusted Mann-Whitney U-tests. This conservative correction was used to control for multiple testing and reduce the risk of type 1 errors (Corder and Foreman, 2014). These post-hoc tests then identified specific group differences in perceived bias intensity and distribution across identity combinations.

4. Results: experiences of diverse individuals at work in the European companies

4.1 Descriptive statistics and overview of biases experienced due to identifications

Descriptive statistics were examined to assess how perceived bias scores differed across the studied identity constellations and across the different work domains. Group level mean scores for depth of perceived bias, that is the MAX scores on the 0 to 100 scale, suggested that individuals who reported more complex constellations of gender, age, student status, and ethnicity often perceived bias at relatively high levels across multiple HRM processes. For example, in *Inclusion* at work, respondents whose experiences of bias were linked only to gender reported a mean depth score of 57.14, while those whose bias experiences were associated with the combined constellation of gender, age, student status, and ethnicity reported a mean of 81.58. Similar patterns of relatively high mean depth scores can be observed across other domains such as *recruitment*, *advancement*, *training*, *evaluation*, and *practices* related to accommodation (Table 3.1).

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Table 3.1 Mean MAX* (depth) bias scores by reported identity group across HRM domains

Domain	Age	Ethnicity	Student	Gender	Gender+ Age	Gender+ Age+ Student	Gender+ Age+ Student+ Ethnicity
Recruitment	51.43	45.00	67.39	63.10	68.10	82.14	80.00
Inclusion	79.88	60.00	68.48	57.14	77.59	83.93	81.58
Advancement	75.00	62.50	69.32	68.42	71.43	78.57	80.26
Training	82.50	62.50	70.65	69.12	80.36	85.71	84.21
Evaluation	84.37	62.50	77.50	73.61	79.31	89.29	85.53
Practices	77.21	56.25	73.75	70.83	78.57	86.54	82.89

Note: *Score from the rescaled scales 1–100, in which closer scores to zero mean less bias, and higher scores indicate more experienced bias towards the individual (see methodology section where scoring is explained more in depth).

At the same time, Table 3.1 and the corresponding domain-specific means also highlight that high levels of perceived bias are not limited to the most complex identity constellations. Individuals who reported bias linked primarily to age, that is, those in the Age group, showed mean depth scores of 82.50 for access to training and 84.37 for evaluation of work results. These values are very close to the corresponding means of the most complex constellation, gender plus age plus student status plus ethnicity, which reported 84.21 for training and 85.53 for evaluation. In other words, in specific HRM contexts such as training and evaluation, respondents with a single salient non-dominant identity, in this case age, perceived bias at levels similar to those with more complex constellations. This descriptive pattern already suggests that the experience of strong bias is shaped by context and is not exclusive to those with the highest number of intersecting identity dimensions. Thus, the descriptive domain-by-domain patterns provide partial support for H1.

To better understand who is represented in each constellation, we examined age and gender distributions across the identity groups. As shown in Table 3.2, the Gender+Age+Student constellation was strongly concentrated among younger participants, with 71.4 per cent of this group aged 18 to 25. Respondents whose bias experiences were linked only to gender were predominantly 26 to 35 years old, with 57.1 per cent in that age band, whereas those in the Gender+Age constellation were mainly 26 to 49 years old. The most complex constellation, Gender+Age+Student+Ethnicity, displayed greater age diversity, with 15.0 per cent aged 18 to 25 and 45.0 per cent aged 26 to 35, and a substantial proportion, 30.0 per cent, in the 36 to 49 category (Table 3.2).

Table 3.2 Demographic age group distributions by identity group

Group	18–25 (%)	26–35 (%)	36–49 (%)	50–65 (%)
Gender	–	57.1	33.3	9.5
Age	–	17.1	34.1	48.8
Student	60.0	28.0	12.0	–
Ethnicity	18.2	45.5	36.4	–
Gender+Age	6.5	35.5	48.4	9.7
Gender+Age+Student	71.4	14.3	7.1	7.1
Gender+Age+Student+ Ethnicity	15.0	45.0	30.0	10.0

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Gender distributions further contextualise these patterns. Respondents who reported bias experiences related to gender were predominantly women or non-binary individuals, with 57.1 per cent identifying as female and 14.3 per cent as non-binary. In the more complex constellations that combined gender with age and student status, women formed the clear majority, for example 80.6 per cent in the Gender+Age group and 78.6 per cent in the Gender+Age+Student group. The Gender+Age+Student+Ethnicity constellation also contained a sizable share of men, 40.0 per cent, alongside 55.0 per cent women and 5.0 per cent who selected another gender category (Table 3.3).

These descriptive statistics show that high depth scores of perceived bias are not concentrated in a single group but appear across several identity groupings. Some respondents who highlighted only one salient identity, particularly older workers who pointed to age, reported very high levels of perceived bias in specific HRM domains such as access to training and evaluation of work results. In these domains, their mean scores were almost as high as those of respondents in the most complex group that combines gender, age, student status, and ethnicity. At the same time, the profiles of the groups indicate that younger women and students were strongly represented in many of the more complex identity configurations. These patterns underline that who appears as disadvantaged depends both on the HRM domain and on how particular combinations of gender, age, ethnicity, and student status are represented in this European sample. Rather than revealing a simple and uniform progression from less to more discrimination as the number of identities increases, the descriptive findings already point to context-dependent and sometimes blurred distinctions between groups. This partly supports H1 and H2b.

4.2 Depth of bias experienced by diverse working individuals in Europe

Group level differences in the maximum depth of perceived bias were examined first. The Kruskal-Wallis tests indicated that identity groupings differed significantly in their depth scores only in one of the six HRM domains, namely Inclusion at work. For *Inclusion*, the test yielded $\chi^2(3) = 10.34$, $p = .016$, which suggests that the intensity of perceived inclusion related bias varied across the four identity constellations. In contrast, *Recruitment*, *Advancement*, *Training*, *Evaluation*, and *Practices* to receive accommodations did not show statistically significant group differences in depth, with p values clearly above the conventional threshold. The full set of test statistics is reported in Table 3.4. In line with H2b

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Table 3.3 Gender distributions by identity group

Group	Male (%)	Female (%)	Non-binary (%)	Other (%)
Gender	28.6	57.1	14.3	0
Age	29.3	70.7	0	0
Student	32.2	68.0	0	0
Ethnicity	45.5	54.5	0	0
Gender+Age	19.4	80.6	0	0
Gender+Age+Student	14.3	78.6	0	7.1
Gender+Age+Student+Ethnicity	40.0	55.0	0	5.0

Table 3.4 Kruskal-Wallis test results for depth (MAX bias scores)

Domain	H (df = 3)	p-value
Recruitment	3.62	.305
Inclusion	10.34**	.016**
Advancement	2.72	.437
Training	5.00	.171
Evaluation	4.18	.243
Practices	4.61	.203

Note: * p < 0.05, ** p < 0.01, *** p < .001.

identity complexity is not associated with uniformly higher maximum bias across domains: statistically significant group differences in depth appear only for inclusion. Recruitment, advancement, training, evaluation and accommodation practices show no significant differences in maximum intensity.

Evaluated together with the descriptive means presented earlier, these results indicate that strong feelings of being treated unfairly are not confined to those who reported the most complex identity profiles. In the *Inclusion* domain, respondents with more complex combinations of gender, age, student status, and ethnicity reported higher maximum scores of perceived bias than those who reported only gender-related bias, and this difference was large enough to reach statistical significance. In the other HRM domains, however, the overall variability in depth scores within and between the groups meant that differences did not reach statistical significance, even though some constellations, such as older workers who emphasised age, reported descriptively high depth scores in *Training* and *Evaluation*. This pattern suggests that the intensity of perceived bias is particularly sensitive to how included people feel in their everyday work, while in other domains the differences between groups are less clear cut.

These findings support a contextual interpretation of discrimination. Identity complexity appears to matter most for how strongly individuals feel excluded in day-to-day interactions at work, whereas for more formal processes, such as recruitment or performance evaluation, the maximum levels of perceived bias do not differ systematically between the identity groupings. In other words, the analysis of depth shows that it

is not possible to rank groups consistently across all domains in terms of who experiences the strongest bias. Instead, context shapes where intensity of experienced bias peaks. Everyday inclusion emerges as a domain in which complex identity profiles are more likely to be associated with stronger perceptions of unfair treatment, while in other areas single salient identities, such as age, may be sufficient to generate similarly high levels of perceived bias. These results support H1 and H2b.

In parallel with these domain-specific patterns in depth, Kruskal-Wallis tests for breadth of perceived bias showed a different picture. Here, identity complexity was significantly associated with the range of bias reported across all six HRM domains, with *p* values below .001 in each case (Table 3.5). These results support H2a: individuals with more complex identity constellations tended to indicate that they experienced bias on a larger number of identity dimensions within a given HRM domain, for example reporting bias related to gender, age, and ethnicity in the same process, whereas those in the least complex identity group were more likely to link bias to a single dimension. This combination of results, namely limited differences in depth but consistent differences in breadth, underlines that complexity is reflected more clearly in how widely bias is perceived to spread across identity dimensions than in how extreme the maximum level of bias is in each domain, consistent with findings in intersectional research (Bowleg, 2012; Warner, 2008).

Table 3.5 Kruskal-Wallis test results for breadth of bias

Domain	H (df = 3)	p-value
Recruitment	19.54	<.001
Inclusion	39.01	<.001
Advancement	23.63	<.001
Training	36.14	<.001
Evaluation	26.88	<.001
Practices	21.29	<.001

4.3 Relationship between breadth and depth of bias experiences by diverse individuals

To better understand how perceived discrimination is patterned across HRM domains, we examined the relationship between the breadth and depth indices within each domain. Spearman rank order correlations were calculated between breadth, which captures how many identity dimensions respondents link to bias in each HRM domain, and depth, which captures the highest reported level of bias for any one of these dimensions. The results, summarised in Table 3.6, show positive associations in all six HRM domains. In general, respondents who felt that several aspects of who they are, for example, age, gender, student status, and ethnicity, were relevant for their experience of unfair treatment in a specific HRM domain also tended to report higher maximum levels of perceived bias in that same domain.

The size of these correlations, however, differs between HRM domains, which again points to the importance of context. In *Inclusion* and *Evaluation* of work results, the associations between breadth and depth are relatively strong. This suggests that when people experience exclusion in everyday work interactions or feel unfairly evaluated, they often perceive that more than one aspect of their identity is being questioned, and the intensity of perceived bias rises sharply as more dimensions are involved. In contrast, in *Recruitment* and access to *Training* the correlations are more moderate. Here, some respondents report very high depth scores even when they link bias primarily to a single salient dimension, such as age, while others experience wider but less intense patterns of bias across several dimensions. These domain-specific differences

Table 3.6 Spearman correlations between breadth and depth of bias

Domain	ρ	p-value
Recruitment	.696	<.001
Inclusion	.574	<.001
Advancement	.702	<.001
Training	.581	<.001
Evaluation	.607	<.001
Practices	.632	<.001

indicate that ‘how many’ and ‘how strongly’ are connected in different ways depending on the HRM domain in question.

To explore how these relationships relate to the four identity constellation groups, we conducted Bonferroni-adjusted post hoc comparisons for breadth using Mann Whitney U tests. The results, presented in Table 3.7, show a clear overall tendency for respondents in more complex identity groups to report broader experiences of bias than those in the least complex group. For example, in several HRM domains the group combining gender, age, student status, and ethnicity reports significantly higher breadth scores than the group that reported bias only in relation to gender. This means that, in these domains, respondents with more complex identity profiles often feel that several aspects of their identity matter at once when they encounter unfair treatment.

At the same time, not all pairwise comparisons are significant, and the pattern is not a simple stepwise increase from one group to the next. In some domains, the differences between adjacent groups are small, and in others, the main contrasts appear between the least complex profile and all other profiles taken together. Moreover, the earlier descriptive results showed that respondents with a single salient identity, particularly those who emphasised age, can report very high depth scores in domains such as access to *Training* and *Evaluation* of work results, even if their breadth scores remain lower. This combination of findings reinforces the idea that identity complexity is most clearly reflected in the spread of bias across dimensions and HRM domains, while the intensity of bias is strongly shaped by the specific HRM context and by how respondents interpret what is happening to them.

Overall, the correlations and post hoc tests deepen the picture that emerged from the earlier analyses. The more complex identity profiles are associated with a tendency to experience bias, yet intense discrimination is not restricted to these groups and can also be reported by those who report a single identity in particular domains. In other words, intersectional disadvantage in this European sample does not follow a uniform gradient where each additional identity automatically adds more discrimination. Instead, the results suggest that relevant intersections must be deduced from the concrete HRM context and from the ways individuals make sense of their situation. Some patterns, such as the high levels of bias reported by older workers in *Training* and *Evaluation*, cut across the groups and highlight specific processes where diversity management problems are especially acute. These context-dependent and

Table 3.7 Bonferroni-adjusted post hoc comparisons for breadth of bias across identity groups

Domain	Comparison groups (Group 1 vs Group 2)	Mean rank difference	p-value (adj.)
Recruitment	Gender vs Gender+Age+Student+Ethnicity	-32.46	<.001***
Recruitment	Gender+Age vs Gender+Age+Student+Ethnicity	-20.45	.018*
Inclusion	Gender vs Gender+Age	-20.54	.016*
Inclusion	Gender vs Gender+Age+Student	-35.50	<.001***
Inclusion	Gender vs Gender+Age+Student+Ethnicity	-44.67	<.001***
Advancement	Gender vs Gender+Age+Student+Ethnicity	-35.83	<.001***
Advancement	Gender+Age vs Gender+Age+Student+Ethnicity	-23.10	.005**
Training	Gender vs Gender+Age+Student	-33.86	<.001***
Training	Gender vs Gender+Age+Student+Ethnicity	-43.21	<.001***
Training	Gender+Age vs Gender+Age+Student+Ethnicity	-23.37	.005**
Evaluation	Gender vs Gender+Age	-18.39	.042*
Evaluation	Gender vs Gender+Age+Student	-30.99	.001**
Evaluation	Gender vs Gender+Age+Student+Ethnicity	-36.52	<.001***
Practices	Gender vs Gender+Age+Student	-25.50	.014*
Practices	Gender vs Gender+Age+Student+Ethnicity	-33.53	<.001***

Note: * p < 0.05, ** p < 0.01, *** p < .001.

subjective patterns provide the basis for the discussion that follows, in which we consider what they imply for intersectionality-informed diversity and HRM practice in European organisations.

To summarise, H2a is supported as identity complexity is consistently associated with broader experiences of perceived bias across HRM domains. H2b is also supported; complexity does not correspond to uniformly higher maximum intensity of bias as depth differences emerge only for inclusion. H1 receives partial support, as the results indicate domain-specific and context-dependent differences in perceived bias rather than a uniform pattern across all domains.

5. Discussion

Europe is a continent of cultures and languages where workforces increasingly consist of people who hold multiple, intersecting identities that do not fit into single, stable categories. While EU regulations provide an important framework for supporting diversity, equity, and inclusion, they cannot by themselves capture the complexity of how bias is experienced in everyday work situations. This study examined how individuals with different combinations of gender, age, ethnicity, and student status perceive bias across six HRM domains in Austria, Finland, Germany, and Lithuania, with a particular focus on smaller firms. Rather than asking who is always more or less disadvantaged, we explored how context shapes when and where people feel discriminated against and how this blurs clear-cut distinctions between ‘target groups’ and others. In doing so, we aimed to provide insights that can support SMEs and other organisations in managing diversity in a more nuanced and context-sensitive way.

5.1 Theoretical implications to intersectionality research

Our findings do not ‘prove’ intersectionality in a strict sense, but they do engage with and extend intersectionality informed debates in organisational research. Intersectionality theory emphasises that social identities are not independent variables that simply add up, but relational positions that intersect within systems of power and produce qualitatively distinct experiences (Crenshaw, 1989; Collins and Bilge, 2020) whereas diversity categories themselves are context specific (Yuval-Davis, 2006; Primecz and Mahadevan, 2025). Our results are in line with this perspective by showing that the same identity element, for example age, can

be associated with different patterns of perceived bias depending on the HRM domain, and that complex identity profiles do not form a single, unified category of ‘most disadvantaged’ workers.

The analyses of breadth and depth of perceived bias showcase this point. Across all HRM domains, individuals with more complex identity profiles tended to report bias on a larger number of identity dimensions within the same HRM domain. In this sense, complexity was clearly reflected in the breadth of perceived bias. At the same time, statistically significant differences in depth were found only in the *Inclusion* at work domain. Descriptively very high depth scores also appeared among respondents who highlighted a single salient identity, particularly age, in *Training* and *Evaluation* of work results. These patterns point to intersectional dynamics that are strongly shaped by context. More complex profiles are not automatically associated with the most extreme levels of bias in every HRM domain, while some less complex profiles can still experience intense discrimination when a particular identity becomes especially salient, for instance when older workers are considered for training or performance is evaluated against age-related norms. This supports the argument that intersectional disadvantage cannot be reduced to a simple hierarchy of suffering based on the number of identity markers, and it aligns with critiques of so-called ‘oppression Olympics’ in intersectionality research (Hancock, 2011; Warner, 2008; Woods et al., 2022).

The breadth and depth distinction that we introduced offers one way of conceptualising and operationalising this complexity. *Breadth* captures how widely respondents feel that different aspects of their identity matter for their experiences of unfair treatment, while *depth* captures the highest reported level of bias in a specific context. Together, these indices highlight that many people experience moderate levels of exclusion across several HRM domains at once, rather than only a few individuals facing extreme discrimination in one domain. This perspective is consistent with work that calls for moving beyond an exclusive focus on severe episodes of discrimination and attending to the repeated, lower-level exclusions that accumulate over time (Bowleg, 2012; Woods et al., 2022). Our findings also echo recent suggestions that intersectionality must account for both constraints and situational advantages. The same person can benefit from some aspects of their identity in one context and be disadvantaged in another, depending on how actors and contexts interact (Thatcher et al., 2023). The pattern that older workers report high depth of bias in *Training* and *Evaluation*, even when age is the only foregrounded identity, while younger women and students with multiple

relevant identities report broader yet not always more intense bias, illustrates this dynamic and context dependent character of intersectional experiences.

By letting respondents indicate which identity dimensions were relevant to their experiences of bias, rather than predefining who counts as disadvantaged, we also follow calls to derive relevant intersections from the context and from subjective sensemaking (Carrim and Nkomo, 2016; Primecz and Mahadevan, 2025). In the EU, there is no single, stable agreement on who is disadvantaged, and formal anti-discrimination law recognises only some of the ways people experience marginalisation at work. Our findings show that, even when experiences are reported subjectively, recurring patterns can be identified. The strong and repeated disadvantage of older workers in *Training* and *Evaluation* across the four countries, for instance, suggests that some configurations of identity and HRM process deserve particular attention as persistent sites of inequality.

Finally, the results contribute to ongoing debates about the limits of the business case for diversity. Many organisations have embraced a narrow version of the business case that links diversity to performance outcomes and treats diversity categories as stable resources to be managed. Empirical evidence for such straightforward benefits is mixed, and recent studies warn that this framing can undermine equality and inclusion efforts (Ely and Thomas, 2023; Georgeac and Rattan, 2023). Primecz and Mahadevan (2025) argue that a fixation on the business case discourages engagement with intersectionality, because it encourages organisations to prescript problems and to rely on a small set of legal categories, rather than exploring how people experience inequality in context. Our study provides an empirical illustration of why a more intersectionality informed perspective is needed. The variation we observe in breadth and depth of perceived bias across HRM domains and identity profiles cannot be captured by simple business case indicators or single category approaches. Intersectionality, understood as a lens that integrates objective patterns and subjective interpretations, appears uniquely suited to reveal such complex, context dependent configurations in European workplaces.

5.2 Implications for managers, especially in smaller companies

The findings have several implications for managers and for diversity and inclusion practice, particularly in smaller companies that do not have extensive HR infrastructures. First, the results suggest that effective

interventions should not focus only on the most visible or extreme forms of diversity, e.g., highly salient categories such as gender or disability, but should also pay close attention to the more ordinary, repeated exclusions that occur across multiple HRM domains. People in our sample often reported moderate levels of bias in several domains at once, rather than a single dramatic incident in one place. For managers, this means that listening carefully to how employees describe their experiences in recruitment, everyday inclusion, evaluation, access to training, career advancement, and accommodations may be more informative than relying solely on formal policies or aggregate indicators.

Second, our findings indicate that identity constellations associated with increased vulnerability vary by HRM process. Younger women and students with diverse ethnic backgrounds appear particularly exposed to bias across a wide range of domains, while older workers, regardless of gender, are especially vulnerable in *Training* and *Evaluation* domains. In practice, this suggests that managers should not assume that one set of target groups is relevant for all aspects of the HRM process. Instead, they should examine, for each key process, who is present, who progresses, and who reports feeling unfairly treated. For example, in smaller firms, it may be helpful to review how training opportunities are communicated and participants in training are selected, and whether evaluation criteria are applied in ways that disadvantage older employees or those who balance work and study. Similarly, managers may need to reflect on how everyday inclusion practices, such as team communication norms and informal social activities, affect younger workers who occupy multiple marginalised positions.

Third, the results reinforce arguments that HRM is not only the responsibility of HR specialists but an integral part of what every manager does. Decisions about recruitment, task allocation, feedback, promotion, and accommodations are often made by line managers in day-to-day practice. Our analysis through an intersectional investigative lens suggests that these seemingly routine decisions can have different consequences for people depending on their identity constellations and on the specific context in which they work. Managers, especially in SMEs, can therefore play a key role in identifying where in their processes people feel exposed and in adjusting practices accordingly. For instance, they can make decision-making procedures more transparent and participatory, ensure that communication channels enable different voices to be heard, monitor access to support and development opportunities, and foster an atmosphere of respect and emotional safety. Woods et al. (2022) argue

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that organisational efforts to achieve intersectional equality should consider procedural, discursive, material, and affective dimensions. Our findings support this multi-dimensional view and point to concrete HRM domains where these dimensions can be examined.

Fourth, because many SMEs lack formalised DEI strategies, it may be tempting to conclude that they are ill equipped to address intersectional inequality. However, the relatively small size and shorter distances between managers and employees in such firms can also be an advantage. SMEs may find it easier to engage with employees as individuals, to adjust practices quickly, and to experiment with context-specific solutions. The patterns we observed suggest that a pragmatic starting point is to focus on those HRM domains where perceived bias is most pronounced in the organisation. Managers can, e.g., conduct structured conversations or small surveys to identify which domains, such as recruitment, evaluation, or training, are perceived as least fair, and then co-develop targeted changes with employees. In doing so, they should move beyond a narrow business case framing and consider how their practices support or undermine fairness and inclusion, even when there is no immediate measurable performance effect.

Finally, managers should recognise that legal compliance, while necessary, is not sufficient for ensuring that employees experience HRM processes as fair. Meeting EU and national requirements regarding non-discrimination based on a limited set of protected characteristics is an important baseline. However, our study shows that individuals may experience bias linked to constellations of identities and HRM process-specific dynamics that are not fully addressed by legal definitions alone. Examining the workplace through an intersectional lens invites managers to treat legal categories as an entry point and to extend their efforts by paying attention to the nuanced and context-dependent ways in which employees interpret and report unfair treatment in their organisations.

5.3 Limitations and directions for future research

Although this study follows a rigorous approach, it has several limitations that should be acknowledged. The sample size is modest and covers only four European countries. Given that Europe comprises many more countries with different histories, legal frameworks, labour market structures, and diversity challenges, the patterns we observe cannot be generalised to the continent. Larger and more diverse samples would be needed to examine whether the configurations identified here, such as the vulnerabilities of older workers in *Training and Evaluation domains*

and the broader bias experienced by younger women and students with diverse backgrounds, recur in other contexts. In addition, the relatively small number of respondents in some identity groups limited our ability to disaggregate further by, for example, specific ethnic backgrounds or sectors.

Methodologically, the study relies on self-reported experiences of bias and on a set of survey items that did not cover all potentially relevant identity dimensions. Participants answered questions only for the categories they selected as relevant, which resulted in non-uniform item exposure across respondents and complicated direct comparison of scores. Our breadth and depth indices are heuristic devices that summarise complex experiences into count and maximum metrics. While they provide complementary perspectives and help to reveal patterned differences across domains and groups, they also simplify. Maximum scores may overrepresent extreme responses in some cases, and breadth scores reduce nuanced experiences to a threshold of whether bias on a dimension is present or not. The composite indices were not psychometrically validated as scales, which further calls for caution in interpreting them as definitive measures. Future research could refine these operationalisations, validate them in larger samples, or combine them with qualitative approaches to capture more fully the richness of intersectional experiences.

There are also conceptual limitations. Our grouping of respondents into identity profiles was constrained by the available survey items and by the need for sufficient cases in each category. As a result, the intersectional configurations we examined are partial and do not encompass the full range of diversity that may matter in European workplaces. Moreover, while we treated all respondents as potential reporters of bias, regardless of whether they occupied positions typically considered dominant or non-dominant, our data did not allow us to distinguish systematically between perceptions that reflect structural oppression and those that reflect situational discomfort or loss of relative privilege.

Future research could build on this chapter in, e.g., the following ways. Comparative studies that treat country, region, or industry as units of analysis could shed light on how national histories, legal frameworks, and sectoral norms shape intersectional patterns of bias in HRM domains. For example, it would be valuable to examine whether the domains in which older workers feel most vulnerable differ between manufacturing and services, or between public and private organisations, and how

national policy regimes influence these patterns. Longitudinal designs could investigate how breadth and depth of perceived bias change over time, particularly in response to organisational interventions or broader socio-political developments. In line with recent work that explores not only disadvantages but also context-dependent benefits associated with intersectionality, future studies might also look at how certain identity constellations enable access to resources or opportunities in specific settings, and how these are balanced against experiences of exclusion (Thatcher et al., 2023). Such research would further advance a contextual and dynamic understanding of intersectionality in the European workplace and provide a stronger empirical basis for designing more just and inclusive HRM practices.

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4

Entrepreneurship education: applying team-based learning to enhance inclusive group dynamics in entrepreneurial projects

Ilyke Ikegwuonu, Margaret Fletcher, Joe Schembri and Jurgita Butkevicienė

1. Introduction

Entrepreneurship plays a pivotal role in advancing the United Nations Sustainable Development Goals SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced Inequalities). Small- and medium-sized enterprises (SMEs) drive job creation and economic dynamism while contributing to innovation and productivity (Kritikos, 2024). Beyond economic outcomes, inclusive and social forms of entrepreneurship can empower marginalised groups, challenge inequities, and promote fairer patterns of growth (Nurfaisah and Pertiwi, 2025; Butkevicienė and Kozma, 2026).

Entrepreneurship education (EE) has become a critical component of higher education worldwide, recognised for its role in fostering innovation, enhancing employability, and driving new venture creation (Nabi et al., 2017; Alibasic and Ibrisimovic, 2021). However, despite its progress, mainstream entrepreneurship and international entrepreneurship education have been slow to engage fully with the pressing challenges of diversity, equity, and inclusion (DEI). Traditional curricula often over-emphasise economic outcomes and individual entrepreneurial traits, while underexploring how inclusive practices and equitable participation shape entrepreneurial competencies and team success (Butkevicienė and Lawton Smith, 2024). This omission limits the ability of students to become entrepreneurs capable of addressing wider societal challenges, particularly those captured in SDGs 8 and 10.

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Against the above-mentioned shortcomings of current approaches to EE, the main goal of this chapter is to suggest an alternative approach that actively incorporates inclusion as a fundamental component of entrepreneurial learning. This contribution is realised through a case study of the MSc International Business programme at the University of Glasgow, specifically the Market Analysis for New Venture Creation course. In this course, students work in diverse teams to conceptualise, develop, and pitch new venture ideas with international potential. Team formation is guided by the innovative STAM-DEEP model, i.e. a Structured, Teacher-Assigned Model, that balances diversity, equality, and entrepreneurial potential among team members (Ikegwuonu, Bavdaz, and Fletcher, 2025). To support balanced team formation, the STAM-DEEP framework integrates diversity, equality, and entrepreneurial potential into group allocation, ensuring well-rounded and inclusive team compositions. Entrepreneurial potential is assessed using the General Enterprising Tendency Test (get2test), as described by Caird (2013). The model is intended to enhance group dynamics by ensuring diverse, equitable, and complementary distributions of entrepreneurial capacity. The chapter demonstrates how, by embedding DEI principles into both EE content and pedagogy, a team-based learning approach becomes a transformative method for creating inclusive entrepreneurship education. It demonstrates how DEI-informed group formation and further teaching process facilitation can strengthen student learning, enhance team dynamics, and prepare more competent, effective, and inclusive entrepreneurs capable of contributing to firm-level growth and societal impact.

Findings demonstrate four key contributions. First, role allocation increases resilience, as group members willingly cover tasks during periods of hardship experienced by team members. Second, competency-based design diversifies leadership, increasing the number of female group leaders and improving team management. Third, the model reduces free-riding by distributing accountability more evenly. Finally, it accelerates team bonding, enabling groups to reach high-performing collaboration more quickly. The chapter positions DEI-informed, structured team formation as a pedagogical innovation that bridges entrepreneurship and international entrepreneurship education.

Drawing from the EE literature on teamwork pedagogies, this chapter explores these key insights in the context of managing group work. Lessons learnt can be applied by educators in preparing students to become inclusive and equitable entrepreneurs. Finally, implications for

practitioners and educational practice, and opportunities for future research are discussed.

2. Literature: teamwork pedagogies in a DEI context

EE contributes to the number and quality of entrepreneurs in an economy (Hägg and Schölin, 2018; Matlay, 2006; Tiberius and Weyland, 2024). For the students involved, it helps develop such transferable skills as problem-solving, innovation, and teamwork (Fearon, Starr, and McLaughlin, 2011; Bachelet, Delmas, and Harnay, 2023; Steira et al., 2025). As a relatively young, fast-growing field of academic enquiry (Hägg and Gabrielsson, 2020), EE has shifted the spotlight from whether entrepreneurship can be taught (Kuratko, 2005), to how best to teach it, given the myriad of experience-based contemporary approaches centred around the learner (Biggs, 1996; Hägg and Gabrielsson, 2020). Teaching entrepreneurship requires a distinct pedagogy, as it aims at ‘instilling a sense of intuition into practice’ (Ratten and Usmanij, 2021, p.5).

EE includes a range of interwoven processes at different stages. A focus on the ongoing interactions between different levels, such as students, modules, and programmes allows for deep investigations of content, teaching strategies, and sequences (Steira et al., 2025; Fleming, 1999) and the uncovering of the development of entrepreneurial skills and attitudes. While extant research has prioritised the outcomes of EE programmes (Hytti et al., 2010), the process-driven pedagogy strategies used in class have been relatively neglected (De Sousa et al., 2024; Hägg and Kurczewska, 2016; Steira et al., 2025).

2.1 Pedagogical strategies in EE

Building on the distinction between outcome-driven and process-driven pedagogical strategies, outcome-driven approaches primarily focus on predefined learning results and content acquisition, whereas process-driven pedagogy emphasises the learning journey itself, including interaction, reflection, experimentation, and skill development through active engagement. In this context, Nabi et al. (2017), in a review of pedagogy strategies, conclude that ‘competence-based’ approaches, characteristic of process-driven pedagogy, are more effective for long-term EE impact than traditional teacher-centred methods. These approaches are grounded in communication, discussion, collaborative work, and reflective portfolios, all of which prioritise learning processes over static

outcomes. Similarly, De Sousa et al. (2024) find evidence that strategies centred on the student, through active learning, problem-solving, and collaboration, are more successful. Recently, the work of Branca et al. (2025) has shown how active and experiential learning approaches deliver the skills and competencies necessary for entrepreneurship. In terms of learning strategies, the authors highlight how design thinking, with its human-centred problem-solving approach, is contributing to creativity, and how workshops, case studies, and practical exercises simulate risk-taking propensity among students, improving that skill. Their review of 159 EE papers concludes that experiential and active learning approaches nurture essential entrepreneurial skills such as self-efficacy, creativity, risk-taking, and innovativeness.

Teamwork and collaboration are active learning strategies in EE, especially in process-based approaches (Steira et al., 2025) that evolve over time. This is understandable as the ability to work effectively within a team is a key skill for new ventures (Ensley et al., 2002) and major corporations (Pelled et al., 1999).

Team-based learning follows the principles established by Michaelsen and Sweet (2008), designed to provide students with conceptual and procedural knowledge. The principles are that: (a) groups are properly formed and managed; (b) they are accountable for their individual and group work; (c) students receive frequent and timely feedback; and (d) group assignments promote both learning and team development. Effective team-based learning strategies ‘achieve a depth of understanding that can come only through solving a series of problems that are too complex for even the best students to complete through their individual effort’ (p.24). In the context of EE, Michaelsen and McCord (2007) claim that team learning centred around real-world problems is effective as it supports the active construction of meaning by students, as a result of its direct and situated application (Biggs, 1996).

Teams need time to develop (Michaelsen and Sweet, 2008; Tuckman and Jensen, 2010; Takahashi and Saito, 2013), and groups go through phases of development (Tuckman, 1965; Li and Zhao, 2018; Suarez and Michalska Haduch, 2020). Chen and Agrwal (2018) found that teams functioned well as time went on, and when conflict was minimised, especially in the mid-point transition phase when conflict is likely to arise. Similarly, Walker et al. (2020) found that team dynamics improved over time, through trust and accountability. The authors conclude that team dynamics are made up of interpersonal processes (communication, personalities,

trust) and task orientation (preparation, accountability, participation). Although the study did not correlate team dynamics with grades, students acknowledged its importance for their future.

To achieve the positive impact on students' future through team-based learning environments, the active role of the instructor is pivotal (Michaelsen and Sweet, 2008). This is particularly relevant as peer evaluation in class leads to accountability for individual participants, and at the same time introverted students miss out unless the instructor monitors and creates an inclusive climate. Investigating cross-cultural group tensions, Mittelmeier et al. (2018) found that students' development of social relations outside class smoothed tensions, as did an inclusive environment created by the instructor. Lower-performing students were found to require the instructor's intervention more.

Additionally, the role of gender seems to be tied to how group work is managed. Data collected from 247 students in the US showed how female students had a more negative attitude towards team-based work, with the authors claiming that apart from group composition, this can be explained by certain interpersonal and group dynamics (Ro and Choi, 2011). In their study on 60 students who participated in a team-learning experience Fowler and Su (2018) conclude that students from groups that are historically underrepresented in the subject 'might be particularly at risk, as their teammates' perceptions of them affect what they might feel "allowed" to do on the team, or they might self-select into particular roles' (p.316). Therefore, when designing EE with process-based pedagogies, especially those focused on team-based learning, instructors should adopt an active role when forming and managing diverse teams.

2.2 Diverse teams in EE

What we know on teamwork as a pedagogical approach within EE remains limited. This issue is pronounced as the centrality of teamwork in EE is met by a diversity imperative, given that universities become more multicultural and diverse (Montgomery, 2009). The intersection of EE and DEI has recently gained significant attention, particularly within higher education institutions (Sreenivasan and Suresh, 2023). Scholars emphasise that entrepreneurship is a vital driver of economic growth and can significantly contribute to sustainable development and sustainable entrepreneurial practices (Schaltegger et al., 2018; Hall et al., 2010; Koe et al., 2015; Wyness et al., 2015). Furthermore, incorporating DEI principles into entrepreneurial curricula aligns with the UN's SDGs, particularly Goal 8, which seeks to promote sustained, inclusive, and sustainable

economic growth, and Goal 10, which aims to reduce inequality (Nguyen et al., 2024). A crucial aspect of this conversation is recognising that incorporating DEI principles into entrepreneurship curricula is not only the right thing to do ethically but is also vital from an economic standpoint. It cultivates the competencies necessary for contemporary entrepreneurs who must navigate an increasingly diverse and global marketplace (ibid.; Raharjo and Harianingsih, 2019; Wyness et al., 2015).

The principles of DEI within EE not only mirror the complex realities of actual entrepreneurial environments but also equip students with essential skills that are increasingly critical in today's society (Koe et al., 2015; Osipovskaya et al., 2024). Internationally diverse classrooms enhance the learning experience and are particularly well suited for EE, which aims to embody inclusivity and reflect the dynamics of real-world professional settings. Students from various backgrounds contribute unique perspectives, skills, and experiences, creating a vibrant learning environment, enriching discussions, and fostering the development of transferable competencies (Giacomin et al., 2016; Osipovskaya et al., 2024). These competencies include adaptability and cultural competence, skills which are increasingly prioritised in entrepreneurial settings (Chen, 2022; Fanea-Ivanovici and Baber, 2022; Miço and Cungu, 2023; Salis, 2023; Steira et al., 2025; Zhou, 2021). Moreover, as Schiller et al. (2022) suggest that international students foster cross-cultural communication skills, essential for navigating the globalised economic landscape.

However, significant gaps remain despite the increasing recognition of the need for DEI in EE. Current curricula often overlook the challenges faced by diverse student groups in their entrepreneurial learning experiences. While the advantages of diversity in EE are clear, effective factors such as communication barriers, cultural differences, and varying levels of experience can lead to misunderstandings and conflicts among team members (Chang and Brickman, 2018; Lee and Bailey, 2020). For instance, international students might struggle to articulate their ideas clearly due to language barriers, leading to frustration and disengagement (Bianchi and Martini, 2023). Therefore, EE must adapt pedagogical strategies to ensure that all students, regardless of their diversity (comprising gender, age, ethnicity, social or educational background), can have a smooth interaction among diverse team members and learn how to thrive in entrepreneurial environments (Warhuus et al., 2021).

An innovative educational approach that addresses these challenges is the implementation of team-based learning strategies. This method not

only enhances learning outcomes by incorporating experiential learning principles but also nurtures an inclusive environment where all students can contribute meaningfully (Arpiainen and Tynjälä, 2017; Harms, 2015). Team-based learning encourages students to leverage their diverse backgrounds, thus creating a richer, more supportive learning experience that aligns with the objectives of DEI.

This context frames our research questions, specifically:

1. How can entrepreneurship students from diverse cultural and educational backgrounds work together effectively on group projects?
2. How can educators support positive team dynamics when students from diverse cultural backgrounds are faced with an entrepreneurial challenge?

We answer these questions by discussing the application of STAM-DEEP model, i.e. a Structured, Teacher-Assigned Model, that allows addressing DEI and entrepreneurial potential among team members (Ikegwuonu et al., 2025) during the team formation and team-based learning.

3. STAM-DEEP in market analysis for new venture creation

STAM-DEEP is a structured model of student team formation developed to create balanced, innovative, and effective entrepreneurial teams by integrating three diversity and equality domains (gender, nationality, and educational background) with one entrepreneurial potential factor. By intentionally combining diverse backgrounds and perspectives with an assessment of entrepreneurial capability, the model ensures that student teams are both inclusive and strategically composed (Ikegwuonu et al., 2025).

STAM-DEEP is introduced on the first day of class through the formation of student entrepreneurial teams. Students then work together in the teams over the course to conceptualise, develop, and pitch their team venture idea with international potential. The process begins with forming student teams. Student teams are formed balancing gender and nationality, then skills (business, finance, IT, etc.) are evenly adjusted across teams. After completing the *get2test* (Caird, 2013) to assess entrepreneurial potential, groups are adjusted to mix scores, ensuring a spread of high, medium, and low scores across all groups, while maintaining

diversity. The highest scorer becomes CEO, with other roles assigned by expertise, creating diverse, real-world entrepreneurial teams.

Once teams are finalised, usually within the first half of the session, a 5-minute break is observed. Upon return to the session, students begin team-based learning activities within their teams. Team-based learning is an active learning tool that involves developing and using learning teams as an instructional strategy (Michaelsen and Sweet, 2008). It shifts focus from instructor-led delivery to student-led application of course concepts (Huilaja et al., 2022).

From the onset, STAM-DEEP team members are aware of their role in their teams, which promotes accountability within group work. Further, STAM-DEEP encourages system 1 thinking (Kahneman, 2011), dynamic participation, critical evaluation, and a deeper level of engagement in group work; outcomes that cannot be achieved through traditional in-person lectures alone.

Throughout the course, students complete a series of tasks designed to strengthen both individual and team-based learning. A flipped teaching approach is used to teach a variety of learning content, featuring questions based on theory from prior reading of articles and case studies, guest lectures and shadowing entrepreneurs.

4. Applying STAM-DEEP model to manage team-based learning in inclusive EE

This chapter further presents how STAM-DEEP is applied to improve teamwork effectiveness in student entrepreneurial groups. STAM-DEEP fosters balanced, innovative teams across three diversity and equality domains, namely gender, nationality, and educational characteristics of students, and combines with their entrepreneurial potential to facilitate group performance and minimise disruptions in group work. Teams are allocated, ensuring a diverse mix of STAM-DEEP criteria.

Semester one projects inevitably result in some group tensions, where students experience learning in these diverse contexts, usually for the first time. Educators seek to provide additional support to students before embarking on the projects, and a team-based learning workshop is introduced at the beginning of the programme (see examples in, e.g. Fletcher et al., 2021; Fletcher and Honeychurch, 2021):

A feature of the management of the groups is the use of student diaries, which allow reflecting on participation in group work. Two diaries are submitted over the course period (typically weeks 3 and 6). Diary 1 captures information on students' individual contributions to group work, and Diary 2 is their assessment of team members' level of engagement with group work. During week 3, students submit Diary 1, allowing tutors to assess team dynamics and intervene early, and be able to address any issues that may arise in group work. At the end of the course, students submit their final assessment, alongside Diary 2, which is used to moderate individual contributions to group work. Written comments provided by students in the diaries provide meaningful insights into the group working processes and effectiveness. The diaries provide both qualitative and quantitative data. Qualitative data are in the form of comments from students about their experiences working in teams, while quantitative data are students' ratings/evaluations of team members' engagement and contribution to group work, which are submitted to the tutor. This peer evaluation score provides a measure of how effectively the groups are functioning. It supports the group work dynamics by enabling the lecturer to intervene and resolve issues early in the course.

STAM-DEEP, including the above-described diary system for reflection on team dynamics, can be introduced to address various challenges, such as free-riding and unequal distribution of group work, when a minority of members carry the bulk of responsibility while others disengage or avoid tasks. It is also helpful to address communication barriers and exclusion, such as using separate group chats and foreign languages by group members from one cultural group, and parallel group chats that undermine inclusivity and transparency. It helps with weak deadline management and lack of shared responsibility that often results in increased stress but also risks compromising project quality. Finally, it allows addressing leadership struggles, especially with assuming leadership roles without being perceived as domineering. The absence of proactive leadership often results in stagnation and inefficiency. For example, some female students may experience challenges when they want to put themselves forward but are met with gender-based bias:

I have constantly tried to be a team player as I do not want to come across as bossy. However, I believe if I did not speak up the team would just sit in silence, and no work would get completed. (Quotation from female student diary)

This comment reflects the tension between the need for leadership and students' desire to maintain positive peer relationships. This suggests that gendered or cultural norms around leadership may have constrained assertive action, even when such leadership was necessary to move the project forward.

These challenges suggest that interventions were needed to support group accountability, foster inclusive team communication strategies, and provide frameworks for constructive course project leadership. These difficulties reflect barriers to effective team working within educational project settings, where structural inequities and group dynamics can reproduce broader patterns of exclusion, which may mirror conditions within start-up teams and SMEs. As Hofstede's (2001) cultural dimensions highlight, when team practices privilege norms of low power distance, individualism, and assertiveness, students from collectivist or high-power distance cultures may feel sidelined; conversely, when group norms lean towards orientations of deference, consensus, and strong uncertainty avoidance, those from more individualistic or egalitarian cultures may find their contributions constrained. In both cases, the dominance of a single cultural framework embeds inequities into team-work practices, limiting genuine inclusivity.

To understand how entrepreneurship students from diverse cultural and educational backgrounds can work together effectively on group projects and how educators can support positive team dynamics in their learning process, we have applied STAM-DEEP in our teaching and analysed the student learning process.

5. Empirically exploring the impact of STAM-DEEP for teaching entrepreneurship

Our study followed a mixed-methods approach (see e.g. Dharmawan et al., 2025). The course, within which the study took place, integrated an intensive, experiential learning pedagogy and is delivered using flipped classroom and team-based learning over six units (Ikegwuonu et al., 2025). Students worked in collaborative teams, gaining hands-on experience in developing and pitching a new venture. The course emphasised practical application, creative problem-solving, and teamworking. It equipped students with essential skills to navigate the challenges of

creating and scaling successful businesses. The students had an opportunity to meet and interact with real-life entrepreneurs within SME environments.

Participants for the case study were a cohort of students taking the course during semester 1 (September–December 2024) at the University of Glasgow; 93 students participated. The students came from ten countries, namely Bangladesh, China, India, Indonesia, Malaysia, Nepal, Pakistan, Taiwan, the UK, and the USA. The students' international composition enabled them to bring venture ideas from their home countries to address challenges they identified in Glasgow or vice versa.

5.1 Method of data collection and analysis

Data collection combined quantitative data from students' self-reported evaluation diaries (1 and 2, as described in the previous section) and direct tutor observations. The individual diary was a report of tasks students completed per week for group work. Diary 2 captured students' ratings of fellow team members' contributions to the group project, using a five-point Likert scale rating from +3 to -1. There was an additional box in the diary where students included justification for ratings. Qualitative data from two of the authors included observations of students' participation in the course, including notes and comments about attendance at lectures, workshops, and tutorials, patterns of absence, or clear leadership by any specific student. Overall participation in group work, engagement with course content, completion of formative assessment tasks, participation in class debates and discussions, how ideas were developed in group work, and how consensus were reached are included. In addition, the impact of tutor interventions between Diary 1 and Diary 2, and any observed changes in relation to engagement with group work and group dynamics were noted.

Descriptive statistics were used to analyse count data, and regression analysis was conducted to determine the moderation effect of diversity variables on group dynamics, represented by team members' peer evaluation scores, i.e. the overall contribution score each team member received based on peer ratings. Ratings explain dynamics within the groups. Higher ratings signal positive and collaborative team dynamics, whereas low ratings are evidence of non-cooperation and non-contribution to group work.

Group work participation in student entrepreneurial teams was analysed using multiple linear regression (with categorical predictors and

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interaction effects). ANOVA was also used to compare participation scores across groups (see online appendix in the supplementary materials for detailed statistical tests). The analysis examined whether diversity factors predicted peer evaluation scores and whether entrepreneurial potential moderated the effects of nationality and gender. The direction of the effects was identified using regression coefficients (B values). Entrepreneurial potential was classified into three levels: high, medium, and low (see online appendix 1.4 for detail statistical tests). These layers are captured from the get2test (Caird, 2013).

Additionally, we report tutor observations using their reflective summary. Analysis of students' Diary 1 from the 2022 cohort was used to set the scene for why intervention was necessary.

6. Key findings and analysis

6.1 Comparison of cohorts: 2022 no model vs. 2024 STAM-DEEP

Diary notes from the 2022 cohort highlighted persistent challenges with group work. Analysis of comments from 2024 participants shows significant differences between teams formed without STAM-DEEP in 2022 and those using the STAM-DEEP model in 2024. Notably, previous groups reported frequent frustration with free-riding, whereas STAM-DEEP teams demonstrated early understanding of individual responsibilities and collective goals. Sub-teams were observed forming naturally within STAM-DEEP teams, where two or more team members collaborate on specific group tasks within their role remit, then inform the wider group that the activity was completed, enabling smooth progression. For instance, marketing sub-teams would notify the finance sub-group when their contribution was ready, streamlining workflow and reducing bottlenecks. This practice directly addressed frustrations documented by the earlier cohort, where poor coordination and role confusion had led to duplication of effort and missed deadlines. Additionally, diary entries show that in 2024 using Microsoft Teams channels significantly improved communication, replacing fragmented chats and foreign-language silos that excluded some members in previous cohorts.

Within STAM-DEEP teams, role-playing replicates real entrepreneurial settings. Students are assigned leadership and functional roles based on academic background, experience, and entrepreneurial potential. For example, in project teams, the student with the highest EP score is

appointed CEO. Other roles are aligned with disciplinary knowledge: finance students serve as CFOs, operations or management students as COOs, and marketing students in related executive roles. This approach promotes practical, experience-based learning with strong real-world relevance. Role play, therefore, encouraged shared accountability, ensuring projects were completed professionally, collaboratively, and within set time frames; an outcome largely absent in the 2022 cohort.

6.2 Reflective summary of tutor observation: 2022 and 2024

We made educators' observations and reflections on how DEI factors impact group dynamics within the course. Student teams were formed in 2024 using STAM-DEEP. Each team member was assigned a specific role, based on educational background or previous work experience. This allowed for accountability and equitable contribution to group work to be assessed at the end of the course. We could hold individual students accountable for tasks associated with their role, hence, eliminating free-riding in the course. Free-riding was a concern with the previous cohort, especially when all students received the same grade for group work, whether they contributed meaningfully or not. Notes and comments from tutor observation allowed us to maintain equal accountability throughout the course, as students were expected to take responsibility for their role in completing group work. Furthermore, from our research and poster presentation, we know that STAM-DEEP teams are more agreeable compared to no-STAM-DEEP teams, where team members were intentionally allocated specific roles within the team (Ikegwuonu et al., 2025).

From the application of the STAM-DEEP method in 2024, balanced participation in group work was observed. Nearly all 93 students successfully completed their assigned tasks, except for two students who could not fully participate due to health and immigration challenges. The analysis indicates that students in STAM-DEEP formed teams are more likely to contribute meaningfully to group work compared to those in self-assigned or randomly assigned teams, based on evidence from cohorts 2022. In randomly assigned teams, we noted recurring patterns of free-riding, while in self-selected teams, students tend to exclude from communication peers perceived as outside their cultural background, sometimes establishing separate communication channels. Moreover, the practice of appointing group leaders frequently resulted in tensions within teams.

In the case cohort in 2024, we did not receive reports of conflicts within group work, a departure from previous experience, when we did not apply STAM-DEEP. From our observations, all team members bore the responsibility of group work due to balanced group working. STAM-DEEP teams operate with clearly defined roles assigned from the outset, ensuring a more balanced and efficient collaboration, and this was visible in team reflections. There was natural bonding around course themes, and very early in the course, the teams were making progress and discussing personal issues beyond the course task. There was open conversation. This corroborated feedback students provided verbally during office hour check-ins, which was a key aspect of course formative feedback. Some students referred to teammates as friends.

An important observation relates to leadership in group work. The 2022 cohort had leadership challenges, often assumed by male student-peers, who seemed to self-nominate as group leads and who may not have had entrepreneurial leadership skills or experience. However, when we introduced the entrepreneurial potential score as a criterion for selecting group leaders in 2024, we observed more female leads in the groups. In addition, most groups diversified their way of working that aligned with the overall group goal. We observed positive outcomes in terms of the time required for groups to complete tasks. Group leaders appeared to shape group dynamics through their communication style, decision-making processes, and ability to motivate and inspire members – effectively leading by example. These findings are consistent with our quantitative analysis, which indicates that entrepreneurial potential acts as a positive moderator with gender. Notably, groups with female leads worked more collaboratively and achieved group goals more efficiently. We know from Caird (2013) that people with high entrepreneurial potential are highly motivated and cultivate stronger independent leadership qualities, which informed the decision to nominate high entrepreneurial potential scoring students to group lead or project CEO roles within the student entrepreneurial project.

6.3 Assessment of group dynamics across DEI factors and entrepreneurial potential

We assessed group dynamics using peer evaluation scores to understand the effect on the main DEI factors: educational background, nationality, gender, and the interaction term entrepreneurial potential (see online appendices 1.1, 1.2). The nationality spread did not provide enough variation data; however, we included this as we had initially proposed to observe this in our regression analysis. To make sure our results were

accurate and that entrepreneurial potential added unique information, we first checked and confirmed that peer evaluation scores and entrepreneurial potential were not closely related before running the regression analysis.

Our results show that the connection between these background factors and group dynamics is weak. The model (online appendix 1.3a) explains only 10 per cent of the differences we see in peer evaluation scores. Overall, entrepreneurial potential and the background factors (gender, nationality, education) together do not strongly predict how groups function when we conduct joint predictor analysis using ANOVA (online appendix 1.3b). However, what was interesting in our study was when we sought to separate the effect of individual predictors to better understand which of the predictor variables was having a significant effect on group dynamics, given the weak effect of the combined predictors.

The table in online appendix 1.3c shows how each factor on its own affects group dynamics. The results suggest that the overall starting score for group dynamics, i.e. peer evaluation score, is meaningful, even before looking at other factors. Consistently, gender stood out as the only factor with a clear effect, with female participants scoring 5.5 points higher on group dynamics when interacted with entrepreneurial potential. This means gender may influence how effective and collaborative groups function when led by female participants who have high entrepreneurial potential. Other DEI factors, such as nationality and education did not show a meaningful impact, suggesting they do not directly affect group dynamics scores in this study. It is important to note that we have not attempted to analyse the effect of nationality, given extreme values, with some nationalities having a high number of representations compared to others in the course. Furthermore, our regression analysis findings align with both the students' diary insights and the tutors' observation notes regarding the influence of gender on the efficient management of group work.

7. Conclusion

7.1 Summary of findings

This study explored how diversity factors affect group dynamics within student entrepreneurial project teams. We found that gender had a significant positive impact on group dynamics when considered with entrepreneurial potential. We propose that assessing entrepreneurial potential

may help reduce gender-related disparities in group work, potentially enhancing collaborative group working, especially where group work leadership is informed by competency.

The main contributions of this study relate to factors that both support and improve group work effectiveness and overall group dynamics within entrepreneurial project teams. First, we found that deliberate formation of project teams and allocation of team members based on predetermined functional roles can lead to positive group work outcomes. This is in agreement with a previous study, which suggests complementary team roles may be more effective in achieving group goals than having all team members spending concerted effort on developing relationships where they may not matter for team success (Shuffler et al., 2018).

Second, from our research, prior cohorts of the course had leadership challenges, ranging from self-selected, male-dominated project team leads to poorly managed student entrepreneurial group projects. However, we could address this by applying a competency-based selection approach, which increased the number of female group leaders, compared to male group leaders. We observed that these competently managed groups fostered positive group dynamics.

The premise of our competency-based approach is derived from Caird (2013), which supports identifying students with entrepreneurial potential to lead groups. We know that people with entrepreneurial potential are characterised by a high need for achievement and for autonomy. Such people can set up and manage entrepreneurial projects because they are highly self-motivated (ibid.).

Third, our model addressed issues of free-riding and lack of individual accountability in group work, which were found in previous studies (El Massah, 2018; Francis et al., 2024; Monteiro et al., 2022), and in earlier cohorts of our course (Fletcher et al., 2021). Application of STAM-DEEP in the formation of student entrepreneurial project teams, which prioritise role allocation within group work (Ikegwonu et al., 2025), was able to reduce free-riding, and where it existed, we could identify and apply grade reduction individually, rather than punishing other group members for the lack of engagement of their peers.

Finally, our model fast tracks the bonding time within groups; therefore, it contributes to the discussion on the time it takes for groups to form, norm, and progress to performing teams. Existing evidence suggests

teams experience five stages from formation to dissolution (Tuckman, 1965). While there is not clarity on how long this takes, the stages are clear. According to Tuckman (*ibid.*), the initial coming together as a team is considered stage one. This stage may bring feelings of excitement or concern. People's reaction to the excitement is considered stage two, the norming stage. Stage three is the storming stage, when individuals assert their opinions or attempt to influence the group. By endeavouring to address group conflicts, teams enter the norming stage. They earn each other's trust and become more collaborative. This collaborative stage leads to stage four, performing, where team members show shared commitments to achieving group goals. The final stage is the adjourning stage when teamwork concludes. This stage brings both a sense of accomplishment and feelings of loss.

In STAM-DEEP classes, student teams are formed on the first day of class, and quickly they progress from introductions to collaboration within 45 minutes. Through dynamic role-play that engages system 1 thinking, students develop intuitive decision-making skills (Kahneman, 2011) by actively identifying problems and taking rapid, low-stakes actions. In fast-track evaluations and deep-group interactions during short, five-minute timeslots, they generate a series of documents, outputs, and decisions that would be impossible to achieve in traditional lecture formats.

7.2 Implications for practitioners

This study increases our understanding of factors influencing student group work effectiveness. Educators can apply the STAM-DEEP model to their entrepreneurship courses and have the opportunity to adapt the model to other courses that have diverse students. Specifically, educators should explicitly apply the STAM-DEEP model when structuring group activities in entrepreneurship courses. This could involve assessing students' skills upfront to form balanced teams and guide collaborative tasks, so students are effectively contributing to group work. By applying STAM-DEEP, educators can simulate real-world team dynamics in group projects, closely mirroring the challenges faced by SMEs, such as managing diverse roles, resolving conflicts, and navigating limited resources. The STAM-DEEP model recognises that students come with different backgrounds, experiences, and learning styles. EE educators should provide scaffolding, like clear role definitions, communication protocols, and peer-feedback mechanisms to enhance group effectiveness across diverse teams.

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This course mirrors real-life teamwork dynamics and has lessons for SMEs. By intentionally avoiding self-nominated leaders and ensuring the clear allocation of roles within diverse teams, firms can reduce interpersonal tensions and foster more inclusive collaboration. This is especially important for SMEs, where teams are frequently small, collaboration is greatly influenced by personal relationships, and hierarchies are less formalised. In such environments, clear role distribution and inclusive team structures improve trust, communication, and productivity – critical factors for SMEs to expand and be resilient over the long term.

SME managers can apply STAM-DEEP in team formation by deliberately assigning roles based on employees' previous experience and expertise. By assessing skills, past project involvement, or personal strengths, managers can structure balanced teams where members' capabilities complement each other. When training the workforce, STAM-DEEP can be applied through role-play exercises that simulate real business scenarios, allowing employees to practise tasks aligned with their skills or slightly beyond their experience to stretch their abilities. This experiential approach encourages learning by doing, builds confidence, and develops problem-solving and decision-making skills in a safe environment. Managers can rotate roles in these simulations to expose employees to different functions, provide structured feedback, and reinforce performance-oriented behaviour, ensuring that training is both practical and directly applicable to workplace challenges.

7.3 Limitations and future research

A limitation of this study relates to the small sample size. For example, it was not statistically possible to interrogate nationality data due to the small sample size. While students from ten different nationalities participated in the course, 55 per cent came from China and 10 per cent from India. The remaining 35 per cent are shared amongst the other countries. This potentially underreports the complexity of national diversity in our study. We suggest future research with sufficient diversity in student country representation to address the impact of nationality. However, findings from our study suggest that factors beyond demographic diversity, such as teamworking skills or leadership styles, may offer stronger predictors of group work success; therefore, it calls for a large-scale quantitative study to investigate these assumptions within student entrepreneurial project teams.

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PART II

Strategising with and for diversity, equity, and inclusion in SMEs

5

Finvacon: creating strategic advantage internationally through social sustainability

Aušrinė Šilenskytė, TL Hill and Julianne Sellin

Case summary

Finvacon was a leading Finnish manufacturer of transformer and electric motor components required by large international firms anchored in Vaasa, the biggest energy cluster in Nordic countries. Finvacon achieved its success by combining world-standard business practices with the employment of special groups, such as people with disabilities or refugees. While Finvacon was ahead of others in addressing both profitability goals and social sustainability challenges related in part to climate change, war-fuelled migration, and increasing cases of physical and mental disabilities related to military conflicts, the firm's positive impact remained local. Finvacon's Chief Executive Officer (CEO) Kaj Sundén convened his management team and board for its December 2025 strategy session to discuss whether there might be a way to leverage Finvacon's location and its unique purpose-led approach to management to expand into Europe and so transform these growing challenges into a new opportunity to make a wider difference while increasing profitability.

1. The opportunity to become a role model in social sustainability in Europe

Over the last decade, Europe faced significant social sustainability challenges, including persistent inequalities, rising migration flows, and barriers linked to disability, ethnicity, and economic disparity. Migration and integration remained central concerns (H2020-EU-3.6, 2020).

Extreme weather events such as droughts or flooding were expected to exacerbate migration, leading to as many as 216 million climate migrants by 2050 (Directorate-General for Employment, Social Affairs and Inclusion, 2025). Inequalities linked to disability and ethnic origin continued to hinder equal participation in society (H2020-EU.3.6., 2020). People with disabilities had always been the largest minority group globally (United Nations, n.d.), but both physical and mental disabilities were on the rise. In 2024, global society saw the highest number of military conflicts since the end of the Second World War, including the war in Ukraine, and such conflicts were leading to a growing number of casualties (The Global Peace Index, 2024). The EU tried to address all of these concerns through various directives and legal frameworks designed to promote a sustainability mindset in society and business, and to uplift the European values grounded in inclusion and respect for diversity (European Union, n.d.).

Reflecting on these developments, Kaj Sundén, Chief Executive Officer (CEO) of Finvacon, a purpose-driven firm that manufactured transformer and electric motor components while combining profitability goals with the employment of special groups, such as people with disabilities or refugees, opened the December 2025 management meeting with the following words:

At Finvacon, we have a working model for social sustainability. We successfully employ refugees from Ukraine, people with disabilities, some of which are very serious, we have employees with migrant background, and we are growing operations successfully. But how can we promote this model internationally?

He then challenged his board and management staff to develop a plan for the renewal and development of the firm's international strategy for the next five years. While Finvacon's way of doing business had always encompassed both business and social goals, Kaj felt that the firm had the potential to make a wider impact. He wanted his team to explore how Finvacon could bring its social sustainability-driven strategic management approach to Europe. He knew that making their strategic management approach visible and implemented widely in Europe could lead to significant positive transformations for people in European societies, and a true implementation of Europe's vision for inclusive economic growth. At the same time, Kaj thought that well-executed, purpose-led internationalization could improve Finvacon's profitability and resilience.

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2. From a workshop for people with disabilities to an industry leader in energy transition

Finvacon was established in 1970 as ‘Vaasa’s Workshop for People with Disabilities’ to address challenges related to a wide range of disabilities that affected participants in the Second World War. John Syring, chairman of Vaasa’s Registered Association of People with Physical Disabilities, supported by the Finnish Association of People with Physical Disabilities, established a workshop to help people with disabilities who wanted to be active and have a working life. The original workshop included wood, metal, sewing, and assembly departments and produced primarily furnished doll houses (Finvacon, n.d.a). In the early days, the workshop was not economically sustainable and depended on support received through charity and various fund-raising activities such as ‘tax-free dances, women’s football matches, and moped races’ (ibid.).

In 1973, the workshop’s workforce changed when people without disabilities were also welcomed to undergo work trials and coaching (ibid.). This was the start of a slow transition from a workshop supporting people with disabilities to a purpose-led manufacturer pursuing social sustainability as well as profitability goals and employing people with diverse abilities. Over time, the organization slowly transformed into a fully fledged manufacturing company. In 1992, the company changed its name to FINVAC, in which INVA echoed the Finnish word ‘invalidi’, a common word for people with disabilities at this time.¹ The transformation was completed in 2005 when Finvac became a limited company and changed its name one more time to the current version – Oy Finvacon Ltd. (ibid.). Vaasa’s Registered Association of People with Physical Disabilities retained a significant ownership stake, but Finvacon was now a private business entity that was expected to grow and expand.

Within a decade of incorporation, Finvacon became a leader in the manufacture of insulation and metal components for transformers and electric motors. They became a trusted supplier for large multinational corporations, such as ABB, Hitachi Energy, and J. Schneider Elektrotechnik, all prominent firms in the energy sector (Finvacon, n.d.b). As part of their strategy, Finvacon adhered to the highest industry standards and held certifications such as ISO 9001, ISO 14001, EcoVadis, and APQP4 Wind. They also maintained a AAA credit rating (ibid.). Maintaining such standards required continuous attention and effort, especially as Finvacon expanded.

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As it grew as a manufacturing firm, Finvacon retained its commitment to providing meaningful employment opportunities for special groups, such as individuals with disabilities, foreign backgrounds, or refugee status. By 2024, Finvacon employed 87 people, 11 in administrative positions, and 76 in manufacturing; of this total, 34 were people with disabilities, eight were refugees, and five more were recent immigrants. Finvacon worked hard to balance business demands for quality, efficiency, and effectiveness with its socially driven approaches to people employment:

For us working with special groups is a normal life and we have been doing it for 50 years. But just like other companies we receive from our owners' pressure to develop effectiveness. Which means that even employees from special groups need to take more responsibility for themselves. Mistakes are a killer when you work with larger companies, such as ABB, Hitachi Energy, or Siemens. (Kaj Sundén, CEO)

Moreover, profitability had become a challenge for every firm in the energy supply chain because customers' payment terms were always long due to the nature of industrial projects, while the payment terms to suppliers were very short, especially when Finvacon was striving to ensure timely deliveries for the customers.

Finvacon's profitability was also affected by changes in government policy. For years, Finvacon had received approximately €200,000–€300,000 annually in return for hiring employees from special groups. However, in early 2025, these financial supports were eliminated, leading to the pressure to reconsider employment strategy and push even harder for productivity. These new policy changes brought Finvacon back to the early days of the company, when such government support was not yet available and creativity to balance profitability and purpose was vital for survival. To address profitability challenges and achieve their strategy, Finvacon had always looked back to their philosophy reflected in the firm's values, such as '*Courage*' and '*We believe in better work.*'

3. We believe in better work!

Finvacon's philosophy and values, co-established together with the firm's employees, enabled continuous striving for advancements in sustainability and innovation. These slogans, '*We believe in better work,*' '*Courage,*' or '*New normal,*' were not just nice public relations phrases posted on the website together with the picture of a diverse group of people. These

were the cornerstones of Finvacon's corporate culture and were one of the major reasons behind the successful growth of the firm.

We are known as an employer who employs special groups and knows how to manage this diversity. We are very proud of our long history of working with very different people. We are like family here. We know everyone and everyone's needs. We reflect our culture. We do not read a document on values and then think, how this is implemented. It's the other way around. We live our culture and then just benchmark our actions to what is written in the document. (Kaj Sundén, CEO)

From its inception, Finvacon had been committed to providing opportunities to individuals who might otherwise struggle to find work. Unlike many companies, Finvacon have maintained long-term employment for individuals in these categories in an industrial environment, with some employees with disabilities having worked at the company since its founding.

Diversity, Equity, and Inclusion is a part of our concept 'new normal'. We don't think about it at all in everyday life. We are so used to this model. Outsiders may think that it involves a lot of extra administrative work, but we have been living this organizational life for so long that for us it's just normal. (Kaj Sundén, CEO)

In part, this commitment to employees with disabilities reflected the influence of the majority owner of the company, Vaasa's Registered Association of People with Physical Disabilities. But it was not just a push from the board of directors or the shareholders. Employees and managers alike shared a belief that work was about more than just earning a salary; it was about making a meaningful contribution. Further, the CEO of Finvacon and the top management were deeply empathetic, curious to understand diverse human experiences; they saw beyond the surface level of relationships at work, and constantly exposed themselves to certain experiences that would help broaden their horizons and question values in business and life:

Since the day I became a CEO of this company, my goal was to help people, not only do business. This summer I travelled to Ukraine, near the front line, to understand how people live there. It was touching experience to sense the war and understand how just in few days we, humans, normalize sounds of gunfire and explosions and begin to ignore them. (Kaj Sundén, CEO)

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Finvacon's management practices reflected both shared organizational values about the meaning of work and this deep interest in people. For example, the boundaries between personal and business matters were blurry, as relationships at work were also deep and personal, not just work-oriented: 'We have several people with severe mental problems. There were situations where we were saving them from suicide' (Kaj Sundén, CEO).

In addition, management worked hard to accommodate employee needs and was successful in integrating employees with complex needs and in achieving excellent efficiency and productivity as a result.

We have some refugees from Ukraine who did not know either the local language or English when they came to work here. We had no common language with them. So, we start by giving very basic tasks in the factory which they could do by observing. Then, once they get into flow, got familiar with the company, they slowly transitioned to more complex activities, and over time they also start developing some language basis, which helped further. (Kaj Sundén, CEO)

In all cases, employees were treated as unique individuals and provided with personalized job allocations based on their strengths and weaknesses. Moreover, managers were encouraged to be flexible and think outside the box even when handling unusual and possibly threatening situations:

Working with special groups means that we need to tolerate or even love mistakes and work to fix and improve issues. Employees can be very different, and they approach work and work relationships sometimes from very unique point of view. For example, we had once an employee who wanted to carry a knife on his belt at work. And this is of course threatening to others, even if from that employee's perspective this was completely OK. And we cannot immediately fill warnings or take standard actions when certain things happen, we need to approach this differently. We do have a support and culture where we work with employees together to reach mutual understanding. (Kaj Sundén, CEO)

Additionally, Finvacon tried to avoid redundancies, even during challenging economic periods. But when restructuring was required, management took pains to secure new employment elsewhere for all employees that it had to lay off.

Over the long term, all of these accommodations had become natural and automatic, and the long-term support of employees had increased employee commitment and effectiveness while also strengthening overall cohesion within the company. The Finvacon approach to management also aligned the company with the standards expected by their global customers and the EU.

We have a written code of conduct. We were writing it according to the way our customers have been doing it. So, we follow the same principles as our customers. We already follow all the rules so for us it's just a piece of paper which is good to have when people may question why we do what we do, so it's a great reference point for checking. (Kaj Sundén, CEO)

Finally, although this approach worked very well with factory employees, adopting the same principles for the administrative jobs proved more challenging. There was ethnic diversity in administrative positions, but it was much harder to accommodate the needs of refugees and of people with serious physical disabilities or mental health issues. Administrative positions were typically more stressful, demanded greater mobility, and required higher levels of language and local culture skills. Furthermore, fitting into the corporate culture of Finvacon required managers to have certain personal values, motivation, and skills. Finding managers who could lead at Finvacon and embrace the complexities of the business was difficult. Also, the process of living up to Finvacon's culture remained largely tacit. While company values and operating principles were coded in some documents, many things were difficult to put in a manual; management in Finvacon's organizational culture required sensing the room and acting upon the unique situation more often than acting based on established rules.

We have an ordinary induction process. When we hire a new person, they go through several meetings. There are HR and IT areas covered. But then there are 'welcome to the house' letters. And then things are a bit different than in regular companies. For example, we emphasize very strongly zero tolerance for discrimination that can even result in immediate firing.

Moreover, we have a quality handbook as we are company accredited by several ISO standards and we should follow the quality handbook. In the quality handbook there is a section on employing special groups or social responsibility and sustainability in general. But otherwise, we don't have any special policies or processes for these people, we just live our lives. (Kaj Sundén, CEO)

4. **Finvacon's home advantage: a green, international city driving energy transition globally**

Finvacon's main office and all three factories were in Vaasa, a city on Finland's west coast. Vaasa has emerged as a leading Nordic hub for sustainable energy innovation and was widely recognized as the Nordic Energy Capital due to its concentration of more than 180 energy-sector companies, collectively generating over EUR 6 billion in annual turnover and forming the largest energy technology cluster in the Nordic countries. This industrial ecosystem—rooted in a long history of electrification and marine engine development—collaborated closely with local universities, municipalities, and international partners, positioning the city at the forefront of the green transition. Vaasa companies accounted for 90 per cent of all research and development activities in the Finnish energy sector (Directorate-General for Environment, 2025). Moreover, 80 per cent of products within this ecosystem were exported worldwide (Vaasa, n.d.a). The EnergyVaasa ecosystem hosted leading multinational firms, such as Wärtsilä, ABB, Hitachi Energy, among others, that further collaborated with smaller local and international energy firms in value and supply chain (Haveri, 2018). Such a business ecosystem allowed Finvacon to be international while being 'at home'.

Vaasa's strong commitment to sustainability was further reflected in the 2025 announcement that Vaasa would be awarded a European Green Leaf Award in 2026. This was a recognition granted by the European Commission for cities demonstrating exemplary environmental performance, carbon-neutral ambitions, and integrated cooperation between administration, businesses, civil society, and academia (Grzybowski, 2025). Thus, collaborative, sustainability-driven business strategies were not uncommon in the region and were even considered a local standard.

Vaasa was also recognized as one of Finland's most international cities, with approximately 7 per cent of its residents speaking a mother tongue other than Finnish or Swedish and 9.3 per cent having a foreign origin. There were about 100 different languages spoken and 120 different nationalities represented in the city of 70,000 inhabitants, making it the second most international city in Finland (Vaasa, n.d.b). This diversity was deeply embedded in Vaasa's 2022–25 municipal strategy, which emphasized inclusive activity models, functional bilingualism, and the creation of a city that was 'a place for everyone' (Vaasa, 2022). The city actively integrated international residents by providing school pathways,

supporting the integration of international experts into the regional labour market, and fostering community participation through neighbourhood, education, and service initiatives (Intercultural Cities Index Analysis, 2023). Vaasa had a strong commitment to interculturalism and equality even in public services, promoted diverse neighbourhoods, and strengthened inclusive economic participation. The city has also taken steps to promote ‘business districts/incubators’ and ensure an appropriate percentage of entrepreneurs with migrant/minority backgrounds (ibid.). These strategic initiatives positioned Vaasa as a socially sustainable city that not only embraces but intentionally cultivates inclusion as a core component of governance and community life.

This local environment further reinforced Finvacon’s strategic approach by providing access to a diverse employee pool. For example, Finvacon worked closely with the City of Vaasa and Hyvinvointialue (Ministry of Social Health), who coordinated the employment of individuals with special needs. Refugees, particularly Ukrainians, were recruited through Tiainen Ry, a local organization specializing in the integration of Ukrainian workers. Other foreign employees were hired through employment agencies and the TE-toimisto (Employment Office), ensuring a structured and efficient hiring process. As both a Nordic green energy innovation powerhouse and a diverse, inclusive European city, Vaasa was a perfect home for Finvacon.

5. Leaving home to promote social sustainability-driven strategies

Having achieved almost all that was possible at home, Finvacon was now looking to international horizons: ‘Our model is unique and it works. So, we feel there is our responsibility to spread it around the world. We have three factories in Vaasa, but now the next step is to set the workshops in other parts of Europe’ (Kaj Sundén, CEO).

In search of growth and profitability, Finvacon had set ambitious strategic targets to double its exports and grow organically by establishing a foreign unit abroad, in Europe. A lot of preparation work had already been done for internationalization. First, Finvacon had to rethink its governance model:

The governance structure that we currently have in Finvacon is perhaps not ideal, especially when considering governance of forthcoming foreign units.

So, we have been developing a two-company model. Finvacon will continue as it was before, but we have established a Finvacon growth enabling company, which is privately owned and can support both our local and foreign growth. (Kaj Sundén, CEO)

Second, Finvacon conducted rigorous market analysis that further reinforced their intentions to internationalize and grow. While the socio-economic situation in the world and Europe was challenging, some unfolding conditions pointed to great perspectives of growth in their industry:

Market is growing because of the Ukraine's war. Before the war market was focused on becoming greener, but after the war, Europe got even more motivated and pushed to green energy, independent solutions and renewal of European grid, also increasing its capacity. Thus, as suppliers of specific necessary components we have a great potential pipeline to support these companies that are doing the renewal and grid improvement solutions in Europe. (Kaj Sundén, CEO)

Third, Finvacon was reflecting on its internationalization capabilities. Finvacon had already taken some steps towards internationalization by selling to and buying from companies in Germany, Italy, and Poland. With a smile, Kaj remembered those days when they just started their first international engagements:

We understood that if we want to grow, we need to internationalize. At that time, I was not a CEO, and we were discussing with the CEO at that time that we need to expand internationally. But we also understood that we have no capabilities. We mastered employment of people with disabilities but had no experience in language or ethnic diversity. There were only two people who could speak English in the company – me and the CEO at that time; however, I wasn't entirely sure about the CEO (smiles). This was a new challenge that we had to solve. And we decided to hire a first foreigner – a Chinese lady. It was incredible how she managed to transform us by interacting with everyone, and this gave us confidence to open up for more special groups. (Kaj Sundén, CEO)

Finally, Finvacon's team had already mastered communication in English. Finvacon also had an ethnically diverse staff who could bring different perspectives to the table, and they actively worked with international firms and communities in the Vaasa region.

However, when considering and planning expansion to Europe, new questions arose: In what locations could Finvacon find industrial firms that needed its components? How could Finvacon reach local networks of the third sector and other organizations that would help Finvacon reach and engage with special groups? How could Finvacon learn about and handle the local and often strict and complicated regulations concerning special group employment? How could Finvacon showcase its strategic management approach to other firms, customers, suppliers, and other firms in the industry, so that they might consider the business benefits and positive social impact of leading business in Finvacon's unique way? Establishing units abroad was driven by the perspective that Finvacon's unique strategy and way of operating needed to be transferred and secured. But how could Finvacon do that when expanding into a new country environment? Was this even possible?

Questions for reflection

1. How has social sustainability been integrated into Finvacon's strategy and management approach? How have Finvacon's corporate values and culture integrated diversity, equity, and inclusion as a specific aspect of social sustainability?
2. What unique benefits can be obtained through the strategic management approach that Finvacon has adopted? What examples of these benefits are named in the case?
3. How has the location in which Finvacon originated and operated helped—or hurt—its business?
4. The idea of shared purpose argues that social and business activities can sometimes be so well integrated that they create a competitive advantage. Does Finvacon have a shared purpose competitive advantage? Why or why not?
5. What unique firm-specific advantages does Finvacon have? Which of these firm-specific advantages are location-specific and which could be transferred abroad when internationalizing?
6. What challenges are likely to arise when expanding internationally due to Finvacon's unique strategy and management approach? How might Finvacon meet these challenges?
7. How can Finvacon internationalize across Europe without losing its unique strategic management approach? How can Finvacon further popularize its social sustainability-driven strategic management approach internationally?

8. When expanding internationally, what constellation of strategic approaches might work for Finvacon? Consider, for example, strategic orientation—global, international, multidomestic, or transnational—and/or—growth, innovation, network, financing and governance, harvest and exit. Justify your recommendation.

Note

1. The current use of this word in this context is not acceptable and is considered offensive.

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6

Step by step, not all at once: planting diversity, equity, and inclusion seeds in hard ground

Jurgita Butkevičienė and Joana Ramanauskaitė

Case summary

After an export-oriented manufacturing small- and medium-sized enterprise (SME) signs a major contract with a new international partner, Diversity, Equity, and Inclusion (DEI) requirements emerge during supplier due diligence. What had previously been an informal and peripheral issue becomes a strategic condition for sustaining the business partnership. The case highlights tensions around reliance on an external Human Resource (HR) consultant to design and formalise DEI policies versus fostering internal managerial ownership; short-term compliance measures versus long-term cultural transformation; and informal, personality-driven practices versus systematic, organisation-wide approaches to inclusion. By adopting the perspective of an external HR consultant, learners are invited to critically consider the risks of outsourcing DEI functions in SMEs, consider questions of responsibility and the sustainability of externally driven change, particularly in contexts where decision-making authority has traditionally remained centralised and internal commitment remains limited. This teaching case addresses Sustainable Development Goal 8 (Decent Work and Economic Growth) and Goal 10 (Reduced Inequalities).

1. Legacy and leadership: ‘we built this by hand’

I arrived early on my first day at Baltic Components, a medium-sized, export-oriented manufacturing company. As a consultant from OVC

Consulting / HR Hint Online, I was invited to work with the company in the role of an external Human Resource (HR) and Diversity, Equity, and Inclusion (DEI) consultant.¹ My task was to advise the company's managing director and top management team as they prepared to implement a newly signed partnership with a Northern European client. The mandate was clearly defined: I needed to assess existing HR and DEI practices, support preparation for supplier due diligence, and propose concrete next steps. I knew that at the end of the project, I would be expected to submit a recommendation on how the company should proceed – whether to continue external HR support, build internal DEI capabilities, or reconsider the scope of its DEI efforts.

The factory buildings were solid and practical – well maintained, though clearly showing signs of age. Everything was in order. The yard was quiet. As I stepped out of the car, I noticed Jonas Tirva, the Chief Executive Officer (CEO), watching from his office window on the second floor.

Tablet in hand, dressed in a dark blue suit with my hair neatly pulled back, I was aware of how I looked in that environment. Perhaps I seemed more at home in a modern office building in Vilnius than in a factory yard in a small Lithuanian town. After exchanging a brief greeting with the secretary, I was shown to the CEO's office for our scheduled meeting. As I stepped inside his office, I immediately felt the presence of authority.

I paused for a moment, and I took a deep breath...

Baltic Components recently signed an important contract with an international partner, bringing new expectations for its HR processes. During the onboarding process, the partner initiated a supplier due diligence review, requiring formal evidence of compliance with its code of conduct. The clause, brief yet non-negotiable, included provisions on non-discrimination, employee voice, and safe working conditions, as well as the possibility of audits upon request. Although such standards had never been formally documented within the company, they now became a contractual obligation. It was this requirement that prompted the decision to seek external HR support. Outsourcing HR was framed as the quickest way to prepare the necessary documentation and demonstrate compliance.

From our initial conversation, it was clear that Jonas Tirva expected assistance with contracts, onboarding, and documentation – nothing beyond that. That expectation was challenged almost immediately.

¹ Justin S. Gellman and Jayton Jayton, "Baltic Components," *Elgar Online*, accessed via Open Access. This is an open access work distributed under the Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International (https://creativecommons.org/licenses/by-nc-nd/4.0/) license.

asked how hiring decisions were made, how conflicts were handled, and how employees could raise concerns, but when I mentioned inclusion, fairness, and psychological safety, the conversation slowed.

‘We need skilled workers,’ he said after a pause. ‘Welders and technicians. Not theories.’

Jonas Tirva was clearly sceptical and spoke about the early years as if he were passing on some wisdom. He described founding the company in the post-Soviet 1990s through hard work, debt, and perseverance. The team was small, and the risks were taken because there was no other alternative. Workdays were long with no clear boundaries between business and personal life. Financial crises hit one after another, and he even managed to navigate the sudden shift in export markets from Eastern to Western Europe during the Russian financial crisis of 1998. This experience shaped the company’s long-term export orientation and risk sensitivity. Over time, the company expanded from local production to international supply chains, while maintaining a lean organisational structure and direct, founder-led management.

He paused when he spoke about people – how salaries were always paid on time, even when money was tight, and how he remembered the names of those who had stayed from the beginning. When he spoke about fairness, he meant responsibility, endurance, and loyalty on both sides. For him, fairness was not a policy but a personal obligation. When I introduced the term Diversity, Equity, and Inclusion, he hesitated.

‘Diversity, equity, and inclusion practices? These sound like big-city ideas,’ he said. ‘That’s not how you keep a business afloat.’

It became clear that he did not reject the underlying values. Rather, he did not recognise his own practices within the formal language of DEI. His understanding of fairness was relational and experience-based, shaped by years of building the company from the ground up. The terminology of DEI – policies, reporting structures, frameworks – felt abstract and distant from the everyday realities of running a factory in a small Lithuanian town.

As the days passed, I began to understand how strongly this history shaped its leadership style. Authority was concentrated, but not silent. The top management team consisted of the CEO, Sales Manager, Production Manager, Purchasing Manager, and Finance Manager. They

met regularly to review operational performance, discuss emerging issues, and occasionally challenge assumptions. However, while debate was possible, final strategic decisions rested with the CEO.

On paper, the structure resembled a conventional management team. In practice, leadership operated through centralised oversight. Managers were expected to contribute expertise and recommendations, yet direction and approval ultimately flowed from the CEO. This model had provided stability for years, reinforcing clarity of responsibility and speed of execution.

The work was well organised, with clear instructions and a good understanding of operational responsibilities. Meetings were brief and focused on achieving results. No one openly challenged decisions, especially in front of Jonas Tirva. Authority was respected, and decisions, once made, were generally implemented without prolonged debate. On the surface, everything appeared to run smoothly.

At the same time, I noticed what was not being said. Younger employees spoke very little in meetings. Questions were raised privately, often in corridors or during breaks. Several people mentioned colleagues who had recently left the company. When I asked why, the answers were careful: better opportunities, different work culture, more flexibility.

In my informal conversations with employees, other topics slowly emerged. Some of them wondered how parental leave was handled in practice. Others asked about pay increases or professional development opportunities. A few spoke about wanting more trust and feedback, rather than close supervision. These were not demands, just quiet signals.

Most of these conversations happened away from managers' offices, where people felt safer speaking openly. As I listened, it became clear that the main challenge was not a lack of effort or loyalty, but a lack of space for dialogue. I began to question how much change could be achieved through outsourced HR support alone in a company where authority had always flowed in one direction.

2. Where ambition meets reality

To better understand my observations in Baltic Components, I decided to evaluate this case against the broader Lithuanian context. Since joining

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the European Union in 2004, Lithuania has undergone rapid economic and institutional transformation (Lithuania Co-create, 2024). Over the past two decades, the country has developed a strong digital infrastructure and knowledge-intensive business sectors, and has become fully integrated into international markets, particularly through urban centres such as Vilnius and Kaunas (de la Bassetière, 2022; Lithuania Co-create, 2024; Vaiginienė, Urbien, & Butkevicienė, 2026).

In this environment, discussions around DEI have gradually gained visibility. In Lithuania, DEI discourse tended to focus less on racial diversity and more on age, gender equality, work–life balance, disability, and regional disparities (Ramanauskaitė, 2025). Formal DEI requirements have largely been shaped by EU regulations and multinational corporate standards, making inclusion increasingly linked to compliance and competitiveness in international markets (Diversity Charter, n.d.).

In large corporations operating in Lithuania, such as TELIA Lietuva, Ignitis group, Moody's, and SEB Bank, DEI initiatives have become more institutionalised. These organisations typically had dedicated DEI leads, formal inclusion policies, employee resource groups, and training systems aligned with EU best practices (Lazareva, 2023). In these contexts, DEI was not seen as optional; rather, it was integrated into policy, practice, and performance.

However, outside the main urban centres, a different organisational reality dominated. SMEs formed the backbone of Lithuania's export-oriented manufacturing economy. These firms were often founder-led, tightly managed, and strongly production-oriented. HR functions tended to be minimal or informal, and leadership remained highly hands-on. Operational stability and delivery performance were prioritised. Concepts such as inclusion or psychological safety were rarely formalised and often viewed as abstract or secondary to daily business operations.

Baltic Components, the company I had been invited to work with, fitted squarely within this second category. For years, it had operated without a dedicated HR department. There were no formal performance reviews, no structured feedback mechanisms, and no defined channels for employee voice. People management relied on long-established routines and direct supervision.

Until recently, this informal approach to people management had been sufficient. However, the pressure to address DEI did not originate from within the company. It stemmed from the procedural requirement linked to the company's export relationship as a newly signed international partnership introduced compliance expectations tied to participation in the partner's supply chain.

I learned that it was not an easy deal. Following a trade mission abroad, Tomas Tamaitis, the Sales Manager, negotiated the framework of the new agreement, which Jonas Tirva subsequently reviewed and formally signed. Among its standard commercial clauses, the agreement included a supplier code of conduct outlining compliance requirements. At first glance, these clauses appeared routine – similar to quality standards and delivery specifications the company was accustomed to meeting. However, during the onboarding and supplier due diligence process, their broader implications became more apparent. Alongside production targets and timelines were explicit references to workplace practices, reporting mechanisms, and alignment with partner values. DEI was not presented as a choice, but rather as an integral part of doing business within an international value chain.

Although the contract represented a significant growth opportunity, Baltic Components operated in a competitive segment of the manufacturing market. Several suppliers in Central and Eastern Europe offered comparable production capacity and cost structures. While Baltic Components had built a reputation for reliability and quality, it was not irreplaceable within the broader supply chain. This reality meant that non-compliance with partner expectations could weaken its position, particularly if competitors could demonstrate stronger alignment with international standards.

Internally, the discussions about these requirements were careful and, at times, tense. Tomas emphasised the strategic significance of the contract and the risks of non-compliance. Jonas Tirva, while protective of established routines, recognised the long-term importance of this partnership. After deliberation by the leadership team, Jonas Tirva agreed to seek external HR support.

Hiring an external HR consultant seemed like a practical compromise to Jonas Tirva. There was no ability to quickly establish an internal HR function, and there was little desire to disrupt existing routines. Outsourcing HR promised speed and flexibility, while preserving managerial control.

On paper, it allowed the firm to meet external expectations without fundamentally changing the company's operations.

This was the environment I entered. My mandate was broad but fragile: to support core HR functions and introduce practices that would align the company with evolving workplace norms. Yet from the beginning, it was clear that DEI language sat uneasily in the organisation. Questions about fairness and inclusion were often met with silence or short answers. 'We treat everyone the same,' Jonas Tirva repeated more than once. For him, this was not a slogan, but truly a deeply held belief.

What followed was not open resistance. Actually, it was something quieter. Processes could be discussed, but attitudes were harder to reach. For some employees, particularly younger staff or those with experience abroad, the absence of clearer people practices was already noticeable. There were no structured performance reviews, no transparent criteria for promotion or salary progression, no formal channels for employee feedback, and no written policies addressing equal treatment or workplace concerns. For others, the topic felt distant or uncomfortable. As an external consultant, I found myself navigating between external expectations and internal habits, aware that my role allowed me to propose changes, but not to decide how far the company was willing to go.

This was the space where European ambitions around DEI met the everyday reality of an SME – careful, pragmatic, and shaped by decades of doing things a certain way.

3. A consultant in translation role

I had been working at OVC Consulting / HR Hint Online for several years, and had seen similar situations before. As one of the largest consulting companies in Lithuania specialising in organisational consulting, training, and outsourced HR services, my firm primarily worked with SMEs across Lithuania and the Baltic countries. Many of the firm's clients operated outside major cities and relied on external providers for core HR functions such as recruitment, onboarding, and administrative support. Few had the capacity to build internal HR departments, and even fewer had experience managing organisational change or inclusion-related issues.

In this context, my role was often less about introducing new concepts and more about translation – turning unfamiliar ideas into language that made sense within existing routines in the client firms. In this assignment, DEI was part of the mandate, but it was clear from the outset that it could not be introduced as a separate initiative. It would have to be framed through people management practices – clearer rules around performance, promotion, and employee voice.

During one of my first meetings with the top management team, I asked how performance feedback was typically handled.

Antanas Jonaitis, the Production Manager, shrugged. ‘If there is a problem, we talk to the person directly.’

‘And promotions?’ I asked.

Jonas Tirva replied, ‘We know who works hard. We see it every day.’

There was no written evaluation system, no documented criteria for advancement, and no formal channel for employee concerns. When I asked who would be responsible for overseeing DEI-related compliance, the room grew quiet. Mantas Narkus, the Finance Manager, suggested it might fall under administration. The Production Manager, Antanas Jonaitis, assumed it was part of operational oversight. Ultimately, Jonas Tirva concluded, ‘We’ll handle it as needed.’

It became clear that people management was not assigned to a specific function. It was embedded in everyday supervision and personal judgement.

A few weeks after my arrival, during a roundtable discussion with the top management team, several issues came to light more openly, largely due to my questions that encouraged this transparency. The managers shared an emerging resistance that was not always explicitly expressed but was nonetheless present. As several managers noted, the hesitation was not driven by hostility but by uncertainty and misunderstanding.

One management team member stated, ‘Hiring employees is already difficult. We’re in a small town, and there’s a real shortage of workers. Adding DEI to our strategy feels out of scope. Honestly, it sounds like something for companies with big budgets.’

Jonas Tirva nodded in agreement. ‘That’s exactly it. We’re not one of those companies.’

It would have been easy to interpret this caution as resistance to change. But that would have overlooked the context in which the company had been built. I understood that the CEO and his core team, with whom he had been working all these years, had established the firm during Lithuania’s rapid transition to a market economy, navigating instability, shifting trade routes, and regulatory uncertainty. Centralised decision-making and tight operational control were not merely their personal preferences, but survival strategies. For years, this approach had protected the company and its employees.

However, sitting at the roundtable and listening to the discussion, I realised that, for them, DEI was associated with hiring specialists, creating new departments, or introducing complex programmes, the types of investments they believed they could neither afford nor justify. My task, however, was far more limited: to work within existing structures and introduce small adjustments to how people were managed, without disrupting daily operations.

Time pressure added another layer of resistance. Several senior employees viewed DEI-related activities as additional tasks rather than part of their work.

‘I already work from eight to five, and often longer,’ the Purchasing Manager said. ‘Why would I add more? What difference would it actually make?’

These conversations made clear that the challenge was mainly about perception. Any progress would depend on whether DEI could be understood as relevant to everyday work, rather than as an external requirement imposed from outside the organisation.

I moved cautiously. I started with small, low-visibility steps: short check-ins with employees, one-on-one conversations, and simple anonymous feedback channels. I avoided language that sounded abstract or corporate. Instead of talking about ‘inclusion’, I spoke about stability. Instead of ‘equity’, I used the word fairness – the same word Jonas Tirva had used when describing his responsibility towards employees. I realised that introducing new practices would require speaking in terms that already resonated with the company’s existing values.

Over time, I began presenting recurring themes from these conversations with the top management team, relying on concrete examples rather than general principles.

During this period, I began to work even more closely with Tomas Tamaitis, the Sales Manager. He had negotiated the international contract and had become the primary internal interpreter of external expectations. While the agreement included a supplier code of conduct, referencing non-discrimination, employee voice, safe working conditions, and the possibility of audits, Tomas pointed out that these requirements were not isolated. Several of the company's larger international clients were themselves preparing for compliance with the European Union's Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). As these regulations expanded reporting and due diligence obligations for large firms, expectations increasingly extended downstream to suppliers. What appeared at first to be a contractual formality reflected a broader shift in regulatory governance across European value chains.

We crossed paths often – after meetings, during short check-ins, and while discussing staffing needs connected to upcoming orders. Over time, these conversations became more open. Tomas understood both the institutional pressure facing international partners and the operational limits of what the company was prepared to implement. He occupied a position between two systems: global compliance expectations and local organisational routines.

In our conversations, we talked through how different managers might react to change – who seemed open to discussion, who needed more time, and who would shut down if the language felt unfamiliar. Rather than pushing for formal programmes, we focused on small adjustments that would not draw immediate resistance, leaving more structured discussions for later, if space allowed.

One early experiment involved changing the format of team meetings by introducing rotational facilitation. The shift was subtle, but noticeable. Quieter employees were occasionally asked to lead discussions, which changed the usual rhythm of meetings. I also introduced a simple anonymous suggestion box and an email channel. Within a few weeks, feedback began to arrive, such as questions about safety procedures, requests for clearer role definitions, and interest in professional development.

None of these topics were new, but the fact that they were now being voiced felt significant.

These were not new or radical ideas. Similar issues had likely existed for some time. What felt different was that people were now choosing to share them, once a space – however small – had been opened.

4. Small steps toward structural change

A few months later I noticed that some attitudes started to change. The shift did not come all at once. It surfaced during a budget meeting, when we reviewed basic staffing data together. I presented simple graphs showing employee turnover by age group. Younger workers were leaving more quickly than others. Exit conversations, where available, pointed to similar themes: lack of feedback, limited development, and uncertainty about expectations. One comment stood out. An employee wrote that he had avoided asking questions since being criticised publicly after a mistake the year before.

‘He’s a good worker,’ Jonas Tirva said, looking at the numbers again. ‘I didn’t know he felt that way.’

The moment passed quickly, and the meeting moved on to costs and production targets. Still, the comment lingered.

In the weeks that followed, I continued to work within my limited mandate. Together with Tomas, I translated external expectations into operational language that felt more familiar to the leadership team. We avoided formal programmes and spoke instead about risks, continuity, and workforce stability. Small experiments were discussed, some cautiously accepted, others postponed. Not everything gained traction.

I also spent time speaking informally with mid-level managers, often during lunch breaks or short meetings. Rather than introducing new terminology, I asked how miscommunication affected safety, delays, or rework. Some managers listened with interest; others remained unconvinced. Time pressure was a constant concern.

Gradually, a few practices began to shift at the margins. Some meetings included a wider range of voices. Feedback reached me through informal channels that had previously been silent. At the same time, resistance

remained. There was no dedicated budget for HR or DEI activities, no internal owner, and no agreement on how far the company was willing to go. Progress depended heavily on personal willingness and on my continued presence.

As the end of my engagement approached, these tensions became more visible. Jonas Tirva acknowledged that external expectations were unlikely to disappear. He also made clear that the company could not afford disruption.

‘We’re not trying to become a tech startup,’ he said during one of our final conversations. ‘But I understand we can’t stay exactly where we are either.’

As my initial engagement came to an end, I prepared a final recommendation to the CEO. The company had taken some tentative steps toward more inclusive practices, yet these efforts were still informal and closely tied to my external role. There was no internal HR structure, no dedicated owner, and no agreement on how far the organisation was prepared to go.

My hope was that my recommendations would shape the next phase. One option was to extend external HR support and continue with small, experimental changes. Another was to advise the company to begin building internal HR and DEI capabilities, despite limited resources and uncertain readiness. A third option was to pause the initiative altogether, accepting the risk that misalignment with international partners and workforce expectations might increase over time.

Each path carried different costs, risks, and responsibilities. The question was not whether change was necessary, but how far the company was prepared to go – and who would ultimately own that change.

Questions for reflection

1. What factors led the company to outsource HR and DEI-related responsibilities? Drawing on the case facts, identify the market, organisational, and leadership factors that shaped this decision. How do these factors inform broader criteria for deciding when HR and DEI responsibilities should be outsourced versus developed internally in SMEs?

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2. What are the main barriers to incorporating DEI into the company's structure and culture? Drawing on the case, identify leadership-, structural-, and cultural-level barriers. How do these barriers interact, and which appear most difficult to address in this organisational context?
3. What steps did the HR consultant take to introduce DEI-related practices into the company's culture and structure? Which actions appeared to gain some traction, and which encountered resistance or limitations? Why?
4. What conditions and levers enable or hinder the advancement of DEI in SMEs? What lessons can be drawn about the longevity of DEI-related change in resource-constrained, founder-led organisations, particularly when HR functions are outsourced?

Note

1. This case is based on a real-life scenario provided by OVC Consulting / HR Hint Online. While certain details have been adapted or fictionalised for educational purposes, the core events and challenges reflect actual experiences shared by the organisation.

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7

Foamit Group: creating compliant and functional social sustainability infrastructure in an international SME

Aušrinė Šilenskytė, Anita Boey and Sniazhana Diduc

Case summary

Tiina Partanen, Head of Sustainability, is developing the sustainability infrastructure at Foamit Group by building governance structures and management tools that embed sustainability into daily operations. Under her leadership, Foamit Group, an international circular-economy-driven SME, has gained notable international recognition for its sustainability work. One of its units has received the EcoVadis Gold Medal, the second-highest global sustainability rating. Despite these achievements, establishing structures to manage social sustainability, particularly diversity, equity, and inclusion (DEI), remained challenging. Creating an inclusive environment for a diverse workforce spread across three countries and multiple work shifts required careful planning. Additional challenges emerged when Tiina monitored the implementation of a whistleblowing reporting tool, an important element of the DEI infrastructure mandated by the EU Whistleblowing Directive. The case invites reflection on why formal structures, compliance activities, and digital DEI tools may not yield expected outcomes without complementary practices and human interactions that foster psychological safety.

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1. **Developing compliant and functional social sustainability infrastructure in Foamit Group**

In 2025, the European Union (EU) was widely recognised as a global leader in sustainability regulation, developing one of the most comprehensive and ambitious legislative frameworks worldwide. A hallmark of EU leadership was its far-reaching regulatory architecture. Over the years, the EU continued to refine and consolidate its environmental, social, and governance (ESG) frameworks, maintaining alignment with the goals of the European Green Deal (European Commission, n.d.d) while seeking to streamline overlapping rules to ensure clarity and reduce administrative burden (European Parliament, 2025). This positioned the EU as a standard-setter, influencing global supply chains, market practices, and sustainability governance well beyond its borders.

While these regulations, directives, and frameworks have paved the way to a sustainable future, the firms operating in the EU region have not always been able to follow, understand, or immediately adjust their operations to comply with the ambitious goals (Thompsett, 2025). For example, firms were often lost when trying to understand the requirements of and connections between the directives for sustainability, such as the Corporate Sustainability Reporting Directive (CSRD) (European Commission, 2025a), the Corporate Sustainability Due Diligence Directive (CSDDD/CS3D) (European Commission, n.d.a), the EU Taxonomy (European Commission, 2025b), and sector-specific rules such as the Batteries Regulation and deforestation-free supply chains (European Commission, n.d.c). These fast-moving complex sustainability directions were perceived as especially challenging for small- and medium-sized enterprises (SMEs) (e.g., Gomes and Pinho, 2023; Jessen, 2025), those with under 250 employees and under €50 million turnover (European Commission, n.d.b). SMEs often did not have financial and time resources to comprehend such complex requirements and find innovative ways to adjust to them.

Despite the regulatory complexity, Foamit Group, a medium-sized international company headquartered in Finland, has been championing sustainability conversations. For example, in May 2024, the Finnish subsidiary of Foamit Group was awarded the EcoVadis Gold Medal for its achievements in sustainable business management practices. This recognition placed the firm in the top 5 per cent of sustainability-driven companies globally (Partanen, 2025). Moreover, Foamit Group's business model allowed for integrating sustainability into the core of the firm's

business. Foamit Group was a circular economy company that transformed glass waste into various high-value industrial products.

However, even when operating a circular business, achieving sustainability in practice relied on the skilled and dedicated work of managers. Tiina Partanen, Head of Sustainability and Project Management Organization (PMO) in Foamit Group, has dedicated her career to continuous improvement and has been leading the implementation of several transformational strategic initiatives at Foamit Group. Among many initiatives directed at building sustainability infrastructure, i.e., governance structures and management tools that embed sustainability into daily operations in Foamit Group, Tiina ensured that digital transformation in the firm involved adopting digital tools for economic, environmental, and social sustainability management. Since Foamit Group operated in three countries—Finland, Sweden, and Norway—digital integration was considered a way forward to unite managerial approaches and ensure consistency in strategic actions, including those directed at championing sustainability.

In December 2025, Tiina was working on the annual sustainability report and reviewing the status of sustainability achievements in Foamit Group. According to the EU reporting standard, she was also discussing with stakeholders the sustainability risks and the impact on and of the firm.¹ In this review process, she soon realised that work concerning the implementation of the EU Whistleblowing Directive (EUR-Lex, 2019) required her attention. To implement the requirement to fully protect whistleblowers mandated by this directive, Foamit Group had adopted a digital tool with an anonymous reporting channel and established a clear report-handling process. However, employees had so far used the digital tool for whistleblowing as an internal feedback channel. For example, in the year 2025, an employee submitted some suggestions for work improvements via this channel, creating legal consequences for Foamit Group since the directive required formal handling of the whistleblowing report. Moreover, because Foamit Group was a relatively small firm with under 100 employees spread across three countries and multiple work shifts, the reporter could have been rather easily identified even through the anonymised reporting form.

Tiina realised that the whistleblowing mechanism was an important element of the firm's social sustainability infrastructure—particularly for managing DEI—because it enabled employees to report serious violations and be protected from discrimination and unfair treatment. Moreover,

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she noted that diverse employees would not feel safe or have equitable access to voice their concerns if they knew that they could be identified through the whistleblowing reporting channel. Thus, the issue was not only about complying with the directive but also about protecting trust in the sustainability infrastructure that Foamit Group—and Tiina—were diligently building to embed sustainability in the company's ethos. She was further surprised to see employees using the whistleblowing tool as a feedback channel, even though other digital systems already existed for collecting employee input and concerns. Tiina thought, 'How could I ensure that the system and digital tools for managing social sustainability—especially the tool for the whistleblowing mechanism—would be used as intended and deliver the expected outcomes?'

2. Foamit Group: an international leader in sustainability

Foamit Group was a Nordic circular economy company that operated within a sustainability-oriented system designed to keep resources in use for as long as possible, thereby minimising waste. The company specialised in the transformation of glass waste into industrial raw materials and sustainable construction products. Foamit Group processed a wide variety of post-consumer and industrial glass waste, including packaging glass and flat glass, into high-value raw materials and foam glass aggregate. For example, one of the company's flagship innovations, foam glass aggregate, was a lightweight, durable, and environmentally friendly material widely utilised in infrastructure and construction projects across the Nordic region. This material was used in the construction work of some famous venues, such as the Oulu Arena expansion (Finland), the Olympic stadium renovation and Amos Rex Museum construction in Helsinki (Finland), and various road projects (Uusioaines Oy, n.d.).

Such extensive focus on sustainability by the Foamit Group was a result of a relatively recent drastic strategic shift. From 1882 until 2018, under a different name, the company operated in the telephone business. It was only in 2017 when its owner, Partnera, adopted a new strategy to shift from the phone line to the glass recycling business and set on a path to create Foamit Group through fast-paced acquisitions of glass recycling businesses. Thus, while ownership remained the same for many years, Foamit Group was a new organisation established by the acquisition of Uusioaines Oy in 2018 (which became Foamit Group's subsidiary in

Figure 5.1: Signature Foamit Group's Sustainability Strategy
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Finland), Hasopor AB in 2019 (which became the group's subsidiary in Sweden), and Glasopor AS in 2021 (which became the group's subsidiary in Norway). Moreover, in 2020, Partnera moved from fully private to partly public ownership as it was listed on Nasdaq Helsinki and gained a listed SME status² (Partanen, 2025; Partnera, 2025). The strategic shift was swift but highly successful. By early 2025, Foamit Group made net sales of €41.4 million and EBITDA of €6.0 million (Partanen, 2025).

2.1 Embedding economic, environmental, and social sustainability in the company's ethos

As a result of the Foamit Group's aggressive growth through mergers and acquisitions, some of the inevitable frictions were visible in the company's organisational culture, management, and operations. While it was relatively simple to establish legal and financial connections with the acquired units, social ties and unified management approaches were emerging at a much slower pace.

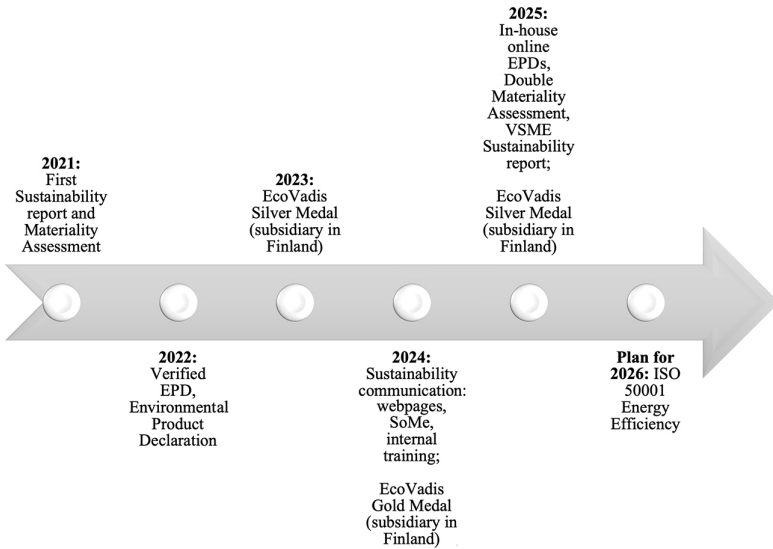
To facilitate the integration of all subsidiaries, the Foamit Group management team started extensive strategy work supported by a digital transformation. First, Foamit Group adopted the Hoshin Kanri methodology (Partanen, 2025)—a strategic planning and execution methodology that aligned an organisation's long-term vision with its daily activities. It focused on setting a few breakthrough goals, cascading them through all organisational levels and units, and using regular review cycles to ensure consistent progress and organisational alignment (Jackson, 2006). This approach was expected to shape the desired organisational culture in the firm, engage everyone with the firm's strategy, and enable consistent communication of long-term goals and annual targets throughout all levels of the organisation. Economic sustainability was much easier to achieve with the organisational culture grounded in this long-term-oriented managerial methodology that promoted both specific management practices and a lean, continuous improvement-driven mindset across the entire organisation.

Second, Foamit Group adopted *Amplon.io*, a digital tool based on the same management methodology, to ensure the effective implementation of Hoshin Kanri. The tool digitised Hoshin Kanri's X-Matrix—a specific template that connected long- and short-term objectives with actions and accountability of people in all country units, making real-time management data transparent and accessible regardless of the location (Šilenskytė et al., 2025). This was expected to enable clear mapping of objectives, metrics, and responsibilities, ensuring that both management

and operational staff across all three countries remain aligned and actively involved. Strategic goals were disseminated transparently, allowing employees in both administrative and manufacturing roles to understand the company's broader vision and be involved in strategy work. In practice, the X-Matrix was extensively developed by managers who, depending on their rank, could either edit strategic information or suggest improvement projects through the digital tool's feedback channels and follow the implementation of their projects. To other employees, the X-Matrix was shown on screens on the factory floor (Partanen, 2025).

Environmental and social sustainability was also embedded in the Foamit Group's strategy. The company aimed to lead the circular economy within the Nordic region by creating value from waste and contributing to sustainable development. Its strategic objectives focused on expanding the use of recycled glass materials in construction, improving production efficiency, and maintaining high standards of environmental and social responsibility (Partnera, 2025). In their strategy, Foamit Group committed to Sustainable Development Goals (SDGs) 7 (Affordable and clean energy), 8 (Decent work and economic growth), 9 (Sustainable industry, innovation, and infrastructure), and 13 (Climate action) (Partnera, n.d.a).

As Head of PMO and Sustainability, Tiina's primary responsibility was to align the firm's strategic vision with its daily operations. Since 2021, Tiina has been responsible for the annual Foamit Group sustainability report and worked to issue it according to the EU reporting guidelines. To ensure that this report is not a bureaucratic formality but rather a rigorous reflection of the firm's activities, she collaborated with all subsidiaries to implement sustainability initiatives in various development projects, aiming to promote sustainability in business across all geographies, functions, and levels. For example, Tiina worked with the team on an Environmental Product Declaration (EPD) for Foamit Group products that provided an independent, verified, and transparent summary of the environmental impact of products throughout their life cycle. An EPD did not expose commercially sensitive information and was valid for five years, enabling Foamit Group to sell with evidence that the company was not greenwashing and could expose the actual sustainability status of their products (Foamit Group, n.d.). Foamit Group established the Code of Ethics and declared compliance with the Whistleblowing Directive (Partnera, n.d.a). Figure 7.1 illustrates some of the key milestones that Foamit Group has achieved in sustainability.



Source: Partanen, 2025.

Figure 7.1 Foamit Group's sustainability achievements and future plans

The company extensively worked towards social sustainability, too, acknowledging that people within the organisation drive innovation and sustainable growth. Social sustainability aspects concerning the management of DEI were of extensive interest to Foamit Group.

2.2 Managing diversity, equity, and inclusion at Foamit Group

Foamit Group had approximately 60 per cent technical staff who worked in recycling and manufacturing tasks and 40 per cent employees in administrative positions. In 2025, collectively, Foamit Group employed 97 people, spread across three countries. Thus, each subsidiary in Foamit Group had fewer than 50 employees. Moreover, technical staff were located in four factory sites and worked in two or three shifts. After the acquisitions were completed, Foamit Group management agreed that the official company language was English, since the firm operated as an international firm. Although the management language was English, safety requirements and the fact that factory employees were primarily local and ethnically homogeneous in each country unit meant that all

technical staff primarily spoke local languages. The company employed only 10 per cent women but had a wide range of age diversity among their staff (Partanen and Peräsarka, 2025).

The nature of work at Foamit Group primarily required direct interaction and verbal communication among employees and between employees and managers, but this was not always possible due to the limited resources of this mid-sized firm, the geographical dispersion of its units, and the shift system (Partanen and Peräsarka, 2025). Being committed to social sustainability, Foamit Group, with Tiina leading the process, started to search for innovative solutions that would allow being close to the staff and ensuring that diverse employees felt included and had equitable access to voice their concerns and offer suggestions for improvement. Digital tools that enabled integration of the group at the strategic level also seemed a feasible solution for enabling integration at the operational level, especially because digitalisation offered cost-effective, smart management solutions.

When looking for the digital tool for inclusive people management, Tiina became aware of the Software-as-a-Service (SaaS) platform called Winningtemp that was used in their Swedish subsidiary and that proved to be effective. Therefore, in 2022 this tool was adopted for the entire Foamit Group (Partanen and Peräsarka, 2025).

Winningtemp was intended to enable continuous measurement and improvement of workplace sentiment through Artificial Intelligence (AI)-powered pulse surveys. Every two weeks, with a short set of questions, employees were prompted to provide anonymous feedback on various aspects of their work experience, including job satisfaction, relationships with managers, sense of inclusion, and overall well-being. In contrast to a typical annual employee survey, this system gave excellent reports on short-term employee experiences that were accessible to Foamit Group's management team, factory managers, and external Human Resources (HR) consultant (Partanen and Peräsarka, 2025).

Moreover, the AI within the Winningtemp system identified patterns in the feedback and generated suggestions for deeper inquiry. For example, if responses received from employees indicated some concerns about leadership behaviour, poor communication, or any other specific aspect of management, a subsequent survey would have automatically included AI-selected questions in these respective areas to deepen understanding of the emerging problem. After administering such surveys, leaders

would receive anonymous reports and automated insights on how to respond constructively to emerging issues. This system was expected to ensure confidentiality, promote transparency, and allow managers to act on real-time data. AI-suggested advice was expected to overcome the absence of an in-house HR department and enable continuous leadership development within the resource-constrained SME context.

For more strategic people management support at group level, Foamit Group contracted an external HR consultant—Jenny Peräsarka, Chief Executive Officer (CEO) of SupercoHR. Jenny helped to design Foamit Group's accountability lines within the firm's organisational structure and offered guidance to managers for handling employee matters, supplementing advice received through Winningtemp's system. At the Finnish subsidiary—Uusioaines Oy—Jenny was additionally tasked with some operational issues, such as overseeing occupational safety matters, recruitment and work contracts, and organising annual employee well-being events. Local payroll specialists oversaw HR operational issues in subsidiaries of other countries due to differences in local country regulations. Thus, while Jenny as an HR specialist worked on some strategic and operational matters, her direct involvement with technical staff in all three countries was limited. This created an excellent opportunity to utilise Jenny's position and expertise when designing the system to implement requirements mandated by the EU Whistleblowing Directive (EUR-Lex, 2019).

3. Whistleblowing mechanism as an important component of social sustainability infrastructure at Foamit Group

3.1 The EU whistleblowing directive and its implications for Foamit Group

The EU Whistleblowing Directive and the respective national laws that adopted it applied to all firms with more than 50 employees. Firms that report on violations of the EU/national law through appropriate channels were required to protect whistleblowers. Whistleblowers were considered any person (full- or part-time employees in both the public and private sectors, self-employed, shareholders, volunteers, trainees, job applicants, subcontractors, or suppliers, regardless of citizenship) whose professional relationships were governed by EU law. The directive entitled whistleblowers to report on anything that they perceived to be a violation of EU law, given that they had some evidence to support their

perception. Organisations were obliged to take responsible and objective actions to ensure that the reported potential violations were investigated and addressed (EUR-Lex, 2019). Later directives, such as the CSDDD and the EU AI Act, further extended aspects of whistleblowing practice, elaborating on what could be reported (European Commission, n.d.a; EU Artificial Intelligence Act, 2025).

Whistleblowers could report on any of the sensitive issues, such as corruption, fraud, misconduct, environmental harm, product safety and consumer protection issues, data privacy breaches, public health, or transport safety concerns. In addition, whistleblowers were also expected to report the misconduct of improper handling of personal data (EUR-Lex, 2019). Most importantly, the Directive mandated firms to protect whistleblowers. The protection included measures against whistleblower suspension, layoff, dismissal, or similar measures of retaliation; other forms of unfair treatment, such as transferring duties, changing the place of work, reducing wages, or altering working hours; denying access to training opportunities; giving a negative performance evaluation or employment reference; or imposing disciplinary actions, reprimands, or financial penalties. Further prohibited conduct included coercion, intimidation, harassment, or ostracism, as well as discrimination or any other form of unfair or disadvantageous treatment. Additionally, there should have been whistleblower protection against converting a temporary employment contract into a permanent one when the worker had legitimate expectations of such an offer, or by deciding not to renew—or by prematurely terminating—a temporary employment contract (EUR-Lex, 2019). Therefore, while the whistleblowing mechanism captured many governance issues, it was also a very important element of social sustainability infrastructure, especially when considering management of DEI in an international firm.

When transposing the directive to national laws, EU Member States had to decide on the scope of the implementation, ensuring that the minimum requirements were met or deciding to expand legal obligations (European Commission, 2024). Each country in which Foamit Group operated implemented the EU Whistleblowing Directive differently, while still following its core principles. In Finland, the Finnish Whistleblowing Act secured whistleblowing protection but excluded all other HR-related matters, and thus HR investigations concerning harassment, bullying, or inappropriate behaviour issues remained within the scope of the Occupational Safety and Health Act (OHSa) (Waaralinna et al., 2026). Sweden transposed the directive in 2021 and complemented it with two

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additional regulations, one of which was a protection for whistleblowers when the disclosure was in the ‘general interest’ of the public and not just when it concerned a breach of Union law (EU Whistleblowing Monitor, 2021). Norway, although not an EU member, already had national whistleblowing rules under its Working Environment Act, which—similarly to the EU directive—required employers to establish internal reporting procedures, guarantee anonymity, and protect whistleblowers from retaliation (LovData, 2025). Similarly to Finland, the Discrimination Act (Diskrimineringslagen) in Sweden (Discrimination Act, 2008) and the Equality and Anti-Discrimination Act in Norway (LovData, 2017) guided the handling of HR-related issues concerning discrimination or unfair treatment. Therefore, Foamit Group was working on implementing the whistleblowing mechanism and making it compliant and functional in all its country units.

3.2 Implementing the EU whistleblowing directive at Foamit Group

The Winningtemp platform that Foamit Group adopted for DEI management also offered a whistleblowing system to anonymously report issues such as fraud, harassment, discrimination, or compliance violations. This meant that in the same mobile application through which employees submitted their reflections via the biweekly pulse survey, they had 24/7 access to the anonymous whistleblowing channel. When the whistleblower report was submitted, the application’s user was able to choose to remain anonymous for an indefinite period, even when further interacting through the channel with the appointed report-handling person from within or outside the organisation. The report-handling person was able to see only the messages sent and at what time and was able to initiate further conversation with the whistleblower, to acquire further details about the issue reported (Winningtemp, 2025).

While the Winningtemp platform offered a technical solution for anonymous reporting, it clearly instructed companies using the platform to develop an internal process for handling complaints compliant with the EU and local regulations (Winningtemp, 2025). Thus, Foamit Group established an internal process for whistleblowing in addition to adopting the anonymous reporting channel available in the Winningtemp platform. According to this process, all received whistleblowing reports were sent directly to an independent person outside the company who had been authorised by Foamit Group to handle whistleblowing cases. After receiving the reports, this external expert conducted an initial investigation to ascertain the validity of the suspicion. If the investigation

indicated that a breach was likely or could be proven, the case was forwarded to the competent authority for further examination (Partnera, n.d.b). In practice, this meant that externally contracted HR specialist Jenny was entitled to receive and handle the whistleblowing reports.

Thus, from the technical perspective and conditions set by the directive, Foamit Group had done everything to comply with whistleblowing policies and ensure a safe, fair, and inclusive whistleblowing mechanism. However, reports received through the established whistleblowing process were showing that the established system needed some reconsideration.

4. Time to reconsider managing diversity, equity, and inclusion through digitalisation

When preparing the sustainability report for the year 2025, Tiina examined two whistleblowing cases received since the establishment of the whistleblowing process. Both cases were handled by Jenny with the conclusion that these were general work improvement matters. One report filed in 'broken' English was a complaint about the workload allocation between different shifts. The other report was a suggestion of a work process improvement that should have otherwise been addressed with the factory manager instead of reporting it via the whistleblowing system (Partanen and Peräsarka, 2025). These two reports, that were more feedback on improvements, raised Tiina's concern about the ways employees understood the purpose of the whistleblowing channel.

Tiina was glad the employees who filed the report were confident in the system. Moreover, these reports showed that the firm had successfully managed sustainability through digitalisation efforts. Employees had awareness of internal digital tools and their communication channels and showed willingness to use them. This also meant that the organisational culture driven by Hoshin Kanri, lean and continuous improvement-driven practices and mindset, was penetrating the Foamit Group and its every unit down to the factory floor.

However, simultaneously, the fact that the employees reported the suggestions for improvement via the whistleblowing channel instead of sharing them with the manager raised serious concerns. Tiina contemplated:

Is it possible that some employees did not trust the management, leading them to believe that even feedback for work improvements should be reported through whistleblowing channels? Or are we confusing employees about where to report suggestions by trying to limit digital tools and make our work efficient? We have separate digital tools for gathering strategic, operational, and HR inputs from employees, but whom do these tools serve? Do all employees, including those on the manufacturing floor, have sufficient channels to voice their concerns?

This consideration was soon expanded further by another observation. The second report that was submitted was written not in English but in Swedish, specifically the version used in Sweden rather than in Finland.³ The report was also very detailed. It was clear that it was filled by a technical staff member who was performing a very specific task on the factory floor in the Swedish subsidiary. An employee was willing to be specific in the report because they trusted the established system. However, these details also made this person identifiable because the country units were small and internally homogeneous, and work was organised in a specialised manner across the shifts.

Thus, while the whistleblowing system was well thought out, this second whistleblowing report exposed a serious weakness, including the broader issue of handling social sustainability, especially DEI matters, while extensively relying on digital tools and externalised HR. Tiina considered many questions:

Is it possible that despite having digital tools to biweekly share their experiences, employees still feel distanced from the management? Can it be that the shift from local languages to the corporate language, English, has increased this distance even further? If digital tools do not fully address inclusion issues, how can we connect more closely with employees when all factories are located far apart, and employees work in multiple shifts? And how can we ensure that the whistleblowing system functions as expected, including anonymity for the reporters in our small firm?

Tiina was pondering these challenges before starting to draft an action plan for addressing them during the next strategic year.

Questions for reflection

1. What is whistleblowing? How has it been defined in the EU legislative frameworks? What directives, laws, and regulations guide the whistleblowing process in the EU and countries mentioned in the case? How is whistleblowing defined and legally framed in your country? If possible, browse through the legislation in addition to using the case materials when answering this question.
2. Why is whistleblowing an important part of the infrastructure for social sustainability, and DEI in particular, in Foamit Group and other European firms?
3. How does Foamit Group's approach to implementing the EU Whistleblowing Directive relate to the company's overall strategic approach and actions towards economic, environmental, and social sustainability?
4. What system for the whistleblowing process has the Foamit Group created? What were the strengths and shortcomings of this system?
5. Why did Foamit Group's extended efforts to manage social sustainability, including DEI and the whistleblowing process, not yield expected results? When answering this question, consider aspects of the SME environment, company history, workforce composition, organisational culture, and work arrangements in the firm, among others.
6. What further actions for creating an inclusive work environment and functioning social sustainability infrastructure, including the improved whistleblowing process, can Tiina and Foamit Group take? How can these actions be ensured to be cost-effective and feasible in the relatively small, multilingual, spread-across-several-countries Foamit Group, which has ambitions to further grow fast internationally?

Notes

1. The Corporate Sustainability Reporting Directive (CSRD) required conducting a double materiality assessment—evaluating both how sustainability issues impact a company's financial performance and how the company's activities impact society and the environment (European Commission, 2025a). See simple explanations in: <https://www.esgtool.eu/en>
2. A listed SME refers to a small- or medium-sized enterprise that is admitted to trading on an EU public market, typically an SME Growth

Market to improve SMEs' access to capital. The EU Listing Act (2024) further simplifies prospectus and disclosure rules for such firms, reducing compliance burdens to make public markets more accessible for SMEs. While both listed SMEs and traditional listed companies are subject to EU capital-markets regulation, SMEs benefit from proportionate requirements—lighter reporting, simplified prospectus formats, and reduced ongoing obligations compared to large stock-listed firms (European Commission, n.d.e).

3. Finland has two national languages: Finnish (the language of the majority) and Swedish (the language of the minority). The Swedish language used in Finland could be differentiated from the Swedish language used in Sweden by specific words, expressions, and the way the language was used (Info Finland, 2025).

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8

When silence speaks loudest: securing an inclusive workplace through conflict navigation

*Susanna Kultalahti, Chenthuran Jayton
and Mirella Flammengo*

Case summary

Stefan Berger, the CEO of Top Training, an Austrian SME specializing in reskilling and workforce development, was faced with latent intra-organizational conflict. Despite his careful attention to creating an inclusive workplace culture through recognition efforts, professional development, and mentoring opportunities, his strategic decision to combine the best skills of younger and older generation workers seemed to have resulted in some unanticipated tensions. While Top Training's business practices were built on premises of diversity and inclusion, the dissatisfaction of some of his staff was leading Stefan to re-think his choices. The case highlights generational tensions emerging from the way Top Training staff perceived their colleagues and the practices at the organization. Learners are invited to analyse the roots of the hidden tensions and evaluate the role of assumptions and generational dynamics in designing constructive interventions. The case addresses Sustainable Development Goal 8 (Decent work and economic growth) and Sustainable Development Goal 10 (Reduced inequalities).

1. A growing organization, diverging expectations

At the time of this case, Europe was pushing an ambitious skills transformation focused on closing labour gaps, supporting the green and digital transitions, and expanding lifelong learning opportunities across all member states. The EU's main goals centred on boosting basic and advanced skills, improving employability, and mobilizing large-scale

Ausonia Chentysky, Margaret Fletcher, Jurgita Butkelyte, and Chenthuran Jayton

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public-private partnerships to reskill millions of adults (European Commission, 2026).

One of the partner organizations delivering this type of training and help for migrant workers and others in or at risk of unemployment was Top Training.¹ With a 30-year history of providing up-skilling training and counselling for clients looking to find meaningful employment or advance in their careers, Top Training had built a reputation as a trusted partner to people navigating employment and organizations looking to hire new talent and support talent development initiatives. In addition to supporting individual people, Top Training supported organizations through consulting projects on training, onboarding, and other organizational functions, as the workforce in Austria, and indeed the rest of the world, had experienced changing demographics due to new migration patterns and declining birth rates (England, 2017; Vollset et al., 2020).

Stefan Berger, the CEO of Top Training, arrived at work daily at the company offices in Vienna, Austria, keen on making a positive and meaningful difference to the lives of his clients and the people who worked at Top Training. As a skilled executive with a strong pedagogical background, Stefan had a lot of experience to draw from in finding practical and sustainable solutions to workplace challenges. Stefan had led Top Training since its founding, seeing it grow and evolve through the COVID-19 pandemic, the digitization revolution, political and economic upheaval, and regional conflicts.

Along with its team of project managers and administrative staff, Top Training employed a growing team of nearly 130 full- and part-time trainers, teachers, coaches, and administrative staff. Stefan had built Top Training in a thoughtful and deliberate manner. He believed that leveraging the skills, wisdom, and experience of seasoned senior trainers with extensive educational and executive backgrounds, and combining this with the vibrance of young skilled trainers who were knowledgeable about new pedagogical methods and technologies, and also brought exuberance, would keep Top Training evolving and as a market leader. Stefan believed that combining the strengths of all generations, with mutual respect and an eagerness to serve, would make a formidable group of trainers who would learn from each other, rely on each other, and support each other in necessary ways.

Many of the senior trainers at Top Training were seen as experts in their disciplines and had accumulated a wealth of wisdom and knowledge.

One such seasoned trainer was Johan Muller,² an executive with 30 years of experience. Johan was eager to impart his knowledge to the next generation of workers. The structure of the work contracts at Top Training was ideal for him as it accommodated his other priorities as well. Family and grandchildren, his own health, and downshifting towards his hard-earned retirement were important to him. The hybrid work culture at Top Training meant that he did not have to choose between what was important to him and doing meaningful work. It meant he could take time off to attend to his health or be with family without being de-valued. The standardized curriculum also meant that he could design a curriculum on a particular topic once and have it reused without being altered. The presence of young colleagues who were more technologically skilled meant he could rely on their expertise without having to learn new platforms. Despite the occasional frustrations of an overly eager colleague who wanted to try new things in the classroom, Johan felt valued and respected.

The younger trainers were early career professionals who found meaning in Top Training's purpose-driven mission. Elena Meyer,³ a young trainer with a background in learning and development, wanted to make a difference. She wanted to learn from her senior colleagues and come up with creative ways of teaching the content to a diversity of people. She also appreciated the flexible work culture at Top Training, which allowed her to attend to her caregiving needs as well. However, she encountered resistance when trying to modify the curriculum or try new methods of teaching. While she valued her senior colleagues' knowledge and wisdom, the fixed curriculum felt stifling to her. She wondered if that policy was designed to take into account the capacities of her senior colleagues rather than attending to the needs of the learners. Sometimes, she felt she was only valued for her technological acumen. She also felt she had less of an opportunity to make use of the flexible work setting because her senior colleagues' needs were prioritized over hers. Despite tensions such as these, however, most of the younger trainers valued the work and the opportunity to learn from their senior colleagues.

On the morning of 2 February 2026, as Stefan entered the office, he was approached first by Johan, and about an hour later by Elena, both personally requesting from him that they no longer be assigned to the same project as the other. Stefan was stunned by such open requests coming from two highly valued employees who had been successfully working on an ongoing project. Yet, once his astonishment passed, he started recalling some indications of dissatisfaction emerging from the trainers on various project teams. For the most part, people were respectful towards each

other. There were no indications of overt disagreement or conflict, as it seemed to Stefan. Facing this open yet polite employee demand, however, Stefan started realizing that he may have been missing a serious issue emerging in the organization. Although Stefan had worked hard to build a successful company with an inclusive and appreciative culture, he now needed to put all his pedagogical and organizational development competence to use in addressing the simmering tensions that threatened to evolve into full-blown conflict between Elena and Johan.

2. Creating and managing purpose-driven expert organization

2.1 Managing a firm with social purpose

Top Training provided quality technical training, interpersonal development, and coaching services, and served the public good by developing talent in people who were struggling to enter the workforce or advance in their careers. Some of the learners Top Training frequently worked with included those with mental health concerns, substance-dependence issues, histories with violations of the law, recent migrants with limited native language ability, under-trained workers, and those with physical disabilities. Top Training's business plan largely depended on responding to and securing public tenders and entering into training and workforce development contracts with governmental, non-governmental, and private entities.

Even though Top Training's ethos was purpose driven, it was ultimately a private enterprise and depended on sustained income to maintain business viability. Therefore, it was imperative that it delivered quality services and could illustrate its impact on its learners to funding agencies. As a private training company, Top Training could not rely on continuing in business as a given, unlike formal schools and universities. Therefore, it was embedded in the company culture that they were in a volatile project-based business, where they needed to compete '*year-to-year, sometimes even month-to-month*' for their existence. This mindset created some extra pressure and uncertainty among the staff.

Thus, Stefan, as the CEO, needed to communicate and justify all actions and changes reflecting on their business model and how they would need to fulfil their contracts and clients' expectations. He had found it beneficial to talk things through using pedagogical aspects, frameworks, and justifications that were familiar and appealing to teachers and trainers,

something that otherwise might have been overlooked in the business model. In fact, Stefan felt that his position was challenging, as he needed to communicate to both worlds – employees internally and Top Training’s clients externally – and their views were sometimes difficult to bring together. Stefan thought to himself:

It is sometimes difficult for the manager to bridge this gap. I need to represent both stories, I have to represent the mission that we have signed up for, but we need to reach the benchmarks; end of story: we need to be successful. What we are proud of does not always meet with our expectations.... [To bridge these two worlds, I need to] understand both languages.... Sometimes I feel like a mediator.

Top Training also operated in a competitive marketplace. Other training organizations with similar product offerings competed for the same tenders offered by the same organizations. Individuals seeking training and up-skilling could have chosen to attend vocational training institutes, tradecraft, or technical training programmes or apprenticeships. While some of those opportunities did not come with the same type of one-on-one counselling and coaching services, they were choices that individuals could make, thereby cutting into Top Training’s business.

Top Training assessed the success of its products by reporting on participation rates, percentage of employment placements, and learner satisfaction. One of the main KPIs (Key Performance Indicators) was the number of participants who found employment, namely the employment rate 90 days after the training period. Some of the trainers felt that not everything could be taught/learned during the training period, and that the participants needed, for example, formal training in addition. Thus, although KPIs were always discussed in relation to new projects, among the project members, to ensure a holistic understanding of the business case, it was not always easy to relate to this measurement from the teachers’ point of view.

In a competitive marketplace, Top Training sought to stand out from the competition by employing and retaining well-credentialed and talented trainers with several years of experience working in industrial, corporate, or government-sector executive roles, and this guided Top Training’s practices in employee management. One of the byproducts of Top Training’s attempt to maintain a competitive edge in the recruitment process was the increasing average age of its trainers. The average trainer at Top Training was 51 years old, with a large number of its trainers in the

50–60-year age category. This was partly due to Top Training's investments in its internal workforce development. By investing in creating an inclusive and welcoming workplace with, for example, extensive and obligatory training for employees, it had managed to retain its trainers year after year, with minimal turnover. The consequence of this success was that the average age of the training staff had increased over the years and was likely to continue on that trajectory.

On a practical level, the weekly large-group training sessions engaged up to 60 learners at a time and could vary from a 6- to an 18-month commitment. For each project, Top Training typically assigned between 40 and 60 trainers to ensure that each project team was self-sustained. Each project team was led by a project manager who reported to Stefan. The project manager oversaw project logistics, technology needs, training assignments, learner experience, and learning efficacy. Project managers also served as frontline managers who were best positioned to understand team dynamics and working relationships between the project team members.

Almost two-thirds of the training staff worked on part-time employment contracts, which required them to work 32 hours per week. The rest of the staff worked 38-hour work weeks, which was fairly standard in Austria. The work week included time spent delivering on-site learning sessions on a fixed weekly schedule, preparing for the learning sessions, and holding one-on-one coaching or counselling sessions with individuals, based on the trainer's ability to meet with clients. While the weekly large-group sessions ran on a fixed schedule, the one-on-one sessions offered the trainers more flexibility in their work week and were typically held virtually.

Work was arranged according to the employee roles, with some employees having the possibility to work in hybrid mode. Even after the COVID-19 pandemic of 2020–22, most of the training sessions were arranged on site. Thus, the trainers' opportunities to benefit from workplace flexibility were limited. Mainly their work comprised training days and preparing for them. Project managers and other administrative staff, on the other hand, could work online more freely and frequently, as their work was not tied to the classroom. Therefore, the employee experiences could have varied to some extent. In fact, following the pandemic the situation had changed: some of the employees had to return to working on site as before, whereas others were given more opportunities to choose how and where they worked. The post-pandemic era that started in 2022 also brought up the need for workers to be technologically savvy, as hybrid

work became the new norm and technology began to be utilized more than before in everyday work (Nguyen et al., 2020).

At the same time, the main concept and structures of their training sessions were created by their external clients and customers, who requested certain types of training. Thus, the trainers and teachers had very limited possibilities to tailor the pedagogical aspects of the programmes. Even the schedules were ready-made, so that the teachers' input was based solely on the delivery of the training.

2.2 Managing the growth and motivation of expert employees

While most of the training programmes were planned outside Top Training, there was still room for teachers' own judgement and delivery. As a result, pedagogical issues – such as appropriate approaches and delivery solutions – sometimes led to raised eyebrows and questions during meetings. Despite Stefan's background in pedagogy, he occasionally felt challenged by the teachers, particularly on pedagogical matters. 'If you bring together two teachers, you have three opinions,' Stefan joked to himself. Practices, wishes, and expectations did not always align, and a significant portion of the project managers' time was spent reassuring, negotiating, and explaining.

Although the business model appeared clear and structured to Stefan, he recognized that motivating highly confident and skilled teachers required continuous attention. 'Getting their paycheck' was a way to reward employees, Stefan said, with a glimmer in his eyes, while admitting that it was an unromantic answer that referred solely to extrinsic motivation. He had observed that personal appreciation and cultivating inner motivation were crucial – especially for his staff. He tried to strengthen the employees' intrinsic motivation by noticing their efforts, ranking top performers – but not the bottom ones – and ensuring that good work did not go unnoticed:

Personal contact, personal appreciation, are more important than money. If you want to be in this profession, you need intrinsic motivation. People want to be rewarded on a personal level; they want to be shown interest, want to be noticed... not only by me, by project managers [who] are [their] direct superiors. But not in an artificial way; people are not stupid.

To address his employees' motivational challenges, Stefan attended project meetings, acknowledged individual performances, and spent time

applauding successes. He wanted to make expectations and recognition transparent. Although he celebrated and uplifted individuals, he consistently emphasized collective effort and highlighted teamwork. To recognize achievements and boost team spirit, Top Training organized parties, gatherings, and after-work activities, though not everyone chose to participate. Stefan had also introduced a buddy system and made a point of praising newcomers so they would feel welcomed.

Top Training also utilized extensive internal training programmes – both obligatory and self-assigned – to support employee development and growth. Roughly 70 per cent of these trainings were mandatory, ensuring that employees remained competent and well certified so that they would deliver high-quality programmes. The company had adopted ‘train-the-trainers’ and ‘project-to-project’ models to channel knowledge and competencies generated during projects into the development of its own staff. The training portfolio included certifications in gender and diversity competencies every other year, instruction in innovative pedagogy and learning, and shared on-site and digital platforms where trainers could exchange ideas acquired from external workshops they had attended.

Looking into the matter further, Stefan noticed a pattern in employees’ eagerness to attend training and development sessions themselves. The attendance rates were not equally distributed: those who were active in their competence development anyway did attend training themselves, but those who would have especially benefitted from new ideas and further education were more reluctant to attend. Stefan also noticed that the youngest employees tended to participate more actively, but this might have been due to them being in the early stages of their careers – or at least that was one explanation Stefan had come up with. Elena, along with many other junior employees, was particularly enthusiastic about these opportunities and never missed an event focused on digital advancements in teaching. The more senior staff were highly self-confident and trusted their expertise, prompting a lower level of participation by them in professional development. Stefan also recognized a typical dilemma whereby people who already knew the topic often showed up to the training programmes, while those who needed the training did not. However, even though Stefan noticed these tendencies in the attendance rates, he remained unsure as to how much he could rely on his interpretations and generalizations.

Attempts to praise individual and team efforts also had their downsides. Some employees felt pressured and anxious when they were not placed in

the top-three list and described the achievement boards as ‘another form of pressure’. Instead of fostering healthy competition and acknowledging strong performance, the system sometimes generated stress and worry.

Stefan had also received direct feedback from senior staff members. One day, one of his trainers, Johan, had confronted him in his office and told Stefan, ‘Don’t tell me what we need in terms of innovation; we have done it like this for ages.’ Stefan acknowledged that the company’s long history and deep experience were advantages, but he believed they should not prevent further development and did not mean that no challenges remained.

3. Signals of the underlying tensions

3.1 Silent voices of dissatisfaction lost in personal employee conversations

For Stefan, Top Training had always been about performing at a high level, clients continuing to receive a high-quality learning experience, and promoting a culture that welcomed people of all demographics and identities. Many of the teaching staff at Top Training had been with the organization for a long time and were used to that culture, while actively building it themselves. They held a huge amount of tacit knowledge, shared understanding, and with this some underlying assumptions. On the contrary, newly hired team members had needed to quickly learn and adapt to Top Training’s strong work culture that had been evolving for decades.

Now confronted by Johan and Elena, Stefan remembered one earlier conversation among employees that he had overheard on 9 December 2025. Elena had been speaking to another junior colleague, Lukas, in a tense, frustrated tone:

Elena: I’m still upset about the 3 December session. The slide deck didn’t display properly because of how Johan formatted it. Half the materials didn’t show on the screen. It made me look unprepared in front of the learners.

Lukas: That’s rough. Did you talk to him about it?

Elena: I did. And I’m not blaming him personally – I know he didn’t mean it. But this keeps happening. I feel like I’m constantly fixing things behind the scenes.

Lukas: You’ve been picking up a lot lately.

Author(s): Sofia Elgar, Margaret Fletcher, Jurgita Butkeviciene, and Chenthuran Jayton - 9781035361243

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Elena: Exactly. And when senior trainers call in sick, the rest of us just absorb the workload. I have care responsibilities too, even if I don't have kids. But it feels like their needs always come first. Sometimes I feel... inferior. Like they have the privilege to 'get sick first,' and I just have to deal with it.

Lukas: That sounds exhausting.

Elena: It is. And honestly, I don't feel valued for what I'm trained to do. I have an advanced degree in learning and development, but I'm treated like tech support. I try to suggest changes to make the material more relevant for learners, and I get resistance. It's like my expertise doesn't count yet.

Lukas: Have you told anyone?

Elena: I spoke to a programme manager. I explained how frustrated I am. But nothing really changed. I don't want to complain I just want to feel respected and used properly.

Stefan had remained out of sight, listening as the conversation faded. What he had first assumed was a momentary outburst sounded increasingly like a deeper, unresolved frustration. It was especially the tone of the exchange that unsettled him. Stefan had always believed that respect for experience and seniority was one of the cornerstones of Top Training's culture. Junior staff often spoke about how much they learned from senior colleagues, and knowledge sharing had long been a source of motivation and pride within the organization. Hearing Elena's words challenged that assumption.

As he replayed the conversation in his mind, Stefan felt a growing unease. He knew what absences meant operationally: others had to step in, adjust schedules, and sometimes reorganize entire training programmes. While Top Training relied on a strong volunteer spirit among the staff, he had assumed the system was resilient. He had not considered that this goodwill might be being stretched too thin.

Elena's comments about being undervalued struck him even harder. Stefan had always believed that the project teams were being assembled to leverage everyone's strengths. Yet Elena's experience suggested that some skills – particularly those of newer employees – might be overlooked. Thinking back over what she had said, Stefan wondered whether he had been naïve in assuming that flexibility and empathy were being consistently practised across the organization.

He felt conflicted. Part of him reacted defensively:

Alexandra Stetskye, Margaret Fletcher, Jurgita Butkeviciene, and Chenthuran Jayton - 9781035361243

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Who are they to complain about anything, when I and many of their colleagues invested time and effort in building the business, created a welcoming and inclusive atmosphere, and helped these young professionals to grow.

How could these young employees see it so differently? The defensiveness quickly gave way to anxiety, however. If Elena's frustration was this intense, it was unlikely to be an isolated incident.

He recalled earlier meetings where employees had challenged him, saying, 'You're not in the groups; you're not with the learners every day.' At the time, he had brushed those remarks aside. Now they resurfaced with new meaning. He recognized the paradox of his managerial role: he could not be everywhere, yet effective leadership required staying close enough to understand people's daily realities. The revelation that Elena had already raised her concerns with a programme manager unsettled him even more. How had this not reached him? What else might he be missing?

Stefan began to question the culture he had taken such pride in. Was Top Training still the inclusive environment he had believed it to be, or had his assumptions shielded him from uncomfortable truths? He began to see that unspoken tensions – especially around generational expectations, workload, and recognition – were simmering beneath the surface. If left unaddressed, they could erode both morale and trust.

For the first time in years, Stefan felt uncertain. Alongside the fear, though, was a growing clarity: the organization needed spaces where frustrations could be voiced openly and resolved respectfully. His challenge now was to confront the gap between his perception of the culture and the lived experiences of his employees, and to decide what leadership required of him next.

3.2 Gathering evidence of the underlying tensions

Stefan had not forgotten the conversation he had overheard, and the various signs of tension he had observed over time were now returning to him bit by bit, especially since this morning when Johan and Elena had put their demands on the table. As an SME executive, Stefan was often busy and even overwhelmed with operational issues, and constantly fighting emerging fires. Although he had managed to create an inclusive, purpose-driven organization, he was now hoping it would continue functioning as intended. First and foremost, he would need the capacity to stay involved in addressing strategic issues.

A flashback from September 2025 further strengthened Stefan's concerns that he had been missing some major issues for a while. The memory took him back to the first week of September when he had met with the project managers. The project managers had been venting about discussions in meetings, where they had sensed some tensions among the employees. One of the senior employees had been frustrated and concerned about needing to re-tool his teaching material to work with newer technologies. In the same meeting, a junior colleague had presented her material, showcasing flashy slides and taking advantage of the platforms they were using. The senior staff had raised their eyebrows and indicated with micro gestures that they felt the presentation was showing off. Stefan was immediately reminded of the frustrations Elena had with Johan. The project manager had not addressed the issue but had raised some concerns in the meeting with Stefan and the other project managers, stating that they did not like the direction the meetings were heading in. The same kind of tensions that Stefan had not paid attention to back then had resurfaced this morning. Based on this memory, Stefan was now even more concerned about his staff and the actual state of the work atmosphere.

For Stefan, one of the key strengths of Top Training was its experienced and well-credentialed staff like Johan, who had decades of experience in various industries. Stefan recognized that the wisdom and knowledge his senior trainers brought to the projects they worked on were an invaluable part of the learning experience for his clients. He also recognized that, in an increasingly digitized teaching-learning landscape, people like Elena, who were learning and development professionals trained in new technologies and innovative pedagogy, were essential to attracting clients and keeping them invested in their learning. Of course, he had noticed that some of his newer, younger training staff were more adept at learning new digital platforms and making use of them to create a learning experience in line with the contemporary work landscape. However, he had thought that this was their competitive advantage: combining wisdom, experience, and subject matter expertise with nimble, modern teaching and learning professionals provided the best experience for the clients. However, now he was faced with staff feeling frustration, that they were being undervalued, and with harmful assumptions potentially being made.

Thinking back to this meeting, Stefan began pondering where this tension had come from, and what the root causes were. He had heard in these discussions some kind of generational divide that he thought might deserve more attention. The average age of the employees had reached 51 years. Naturally, this had not always been the case, but with employees

remaining at the company over the long term, the shift had been subtle but inevitable. However, decreasing the average age just for the sake of an argument was neither possible nor appropriate. Recruiting younger staff and basing recruitment decisions solely on age would certainly be discrimination. Additionally, since the employees had to meet high formal standards, it was not easy to find younger experts. The success of Top Training had been based on its employees' expertise and on its highly competent workforce. Thus, even though some of the recent challenges had only occurred as the employees were getting older, the expertise and experience that came with age had certainly resulted in Top Training's success. Stefan was not yet convinced but was thinking hard about whether this was a generational issue – or actually something else.

He recalled some anonymous feedback that they had systematically gathered before the pandemic in 2020. The results had indicated that the employees were reluctant to provide open feedback, as they did not want to talk badly about others. Even when Stefan had been summarizing the feedback, he remembered saying, ‘No one wants to say that their 56-year-old colleague missed half of the week... again.’ Stefan could not help but wonder whether this was something that had escalated under the radar during the past few years.

4. Real or perceived problems?

Stefan felt that he had already taken a lot of measures. He had done 'everything that is possible from my point of view, in our reality, with our structure.' He was about to meet with the project managers but was still unsure how to address these issues. Clearly, it was not something to be avoided or ignored – that was certainly not how Top Training addressed issues – but somehow Stefan was reluctant to open Pandora's box. Deciding that addressing these issues was just a question of polishing the good that they already had, and nothing else, calmed him down a bit. The open questions in his mind were merely linked to generational tensions. Where do these tensions stem from? Could these issues even be traced back to generational issues and conflicts? Also, what did these subtle messages reveal? What were they indications of? What were the employees actually expressing and was there a possibility of a bigger, underlying concern?

Stefan had a business to run, a reputation to be maintained, and employees to look after. He wanted to make things right. His own training in

pedagogy and his experience as a seasoned executive told him that, at the root of conflicts, there were usually unmet needs and expectations, and firmly rooted assumptions about people and practices. He knew that, when the assumptions people had of each other resulted in unmet needs, conflict became inevitable. As he began to think about this generational struggle that was unfolding within the company he had built over 30 years, he started to wonder about the assumptions he had made about people (seasoned executives, young professionals), practices (fixed schedules, in-person teaching, flexible consulting hours), and opportunities (buddy programmes, professional development sessions, social hours). Assumptions did not simply emanate or exist but were formed as a result of pervasive and repetitive discourse (or dominant discourse; Foucault, 1977). Therefore, if over the last 20 years we had been told over and over again that wisdom came with experience and adaptability came with youthfulness, and TV shows and films depicted older wiser heroes partnering with young adventurous sidekicks to save the day, then maybe, at Top Training, we had also adopted this taken-for-granted thinking or assumption about experience and youth. Maybe the system for recruitment, development, and training at Top Training that was built to appreciate diversity and turn it into a competitive advantage had been based on the wrong assumptions?

Questions for reflection

1. Provide a case overview and timeline for the major incidents.
2. How did the efforts at Top Training to create an inclusive work culture relate to Sustainable Development Goal (SDG) 8 (Decent work and economic growth) and SDG 10 (Reduced inequalities)?
3. Despite Stefan's efforts, what conditions had shaped the unfolding conflict at this workplace? What were the unexpected outcomes of some of the actions that Stefan had taken when developing a work culture that was inclusive and appreciative of everyone?
4. What are some taken-for-granted assumptions that seem to have permeated Top Training regarding the following: (a) experienced trainers; (b) younger trainers; (c) fixed schedules; (d) flexible work options and training; and (e) overall business practices?
5. How had some of the assumptions given in answer to question 4 led to the generational tensions that existed within Top Training? What needs of the employees were going unmet? What needs seem to have been contradictory or opposing? Consider the conversation Stefan had overheard between two Top Training staff members – Elena and

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Lukas – as a starting point and then move on to consider the entire case narrative.

6. How can the concept of generations help to explain and solve this case – or can it? How do the taken-for-granted assumptions manifest from the perspective of generations and generational differences? What is the meaning and role of generational stereotyping in this case?
7. How could these hidden conflicts at Top Training be solved?

Notes

1. Company and executive names are anonymized due to confidentiality requirements.
2. Fictional composite character comprising characteristics described in several people across interviews and organizational material provided.
3. See note above.

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PART III

Managing diversity, equity, and inclusion at work in SMEs

9

Keeping a sense of belonging at work: acquired disability and professional identity in a highly-skilled auto-mechanic

Jurgita Butkevičienė and Joana Ramanauskaitė

Case summary

This case explores a real-world situation at a small auto service enterprise in Germany after a long-serving auto mechanic suffers a stroke. Set in a skilled technical workplace where professional identity, pride, and belonging are closely tied to manual skill and embodied expertise, the case explores the tensions that arise when physical ability changes, but the person's sense of who they are at work remains the same. Given the limited resources of a small and medium-sized enterprise (SME), the company's owner-manager must decide how to support continued belonging at work without undermining the employee's professional identity or the organisation's operational viability when a valued employee experiences health problems. The case asks learners to examine how SME managers can respond when an employee acquires a disability that challenges their role performance and workplace participation; and to design realistic workplace adjustments that support inclusion, a sense of belonging, and fluent SME operations.

1. When health redefined work

Across Europe, workers who had acquired health-related limitations during their working lives were significantly less likely to remain in

fully paid employment, particularly in physically demanding occupations, despite retaining valuable skills and experience (OECD, 2022). As working lives extended and workforces aged, such situations became increasingly common, especially in small- and medium-sized enterprises (SMEs) where work was organised around physical presence and hands-on skills (European Disability Forum, 2023).

In practice, these health-related limitations often entered the workplace through medical documents. A doctor's note or medical report typically stated which tasks a worker can no longer perform in the same way as before. This situation was referred to as acquired disability, which occurred when a person's physical or functional ability changed during their working life due to illness, injury, or a sudden health event. While medical documents outlined limitations, they often did not address how daily work, team roles, or professional identity could be adapted. Companies and employees, therefore, needed to work together to understand the practical implications of these changes.

These challenges were especially evident in technical jobs, where work was physically demanding and closely related to manual skills and hands-on expertise. In such environments, professional identity was strongly shaped through embodied practices, such as repairing, lifting, adjusting, and problem-solving on the workshop floor, rather than through formal titles or desk-based administrative responsibilities (Sveningsson and Alvesson, 2003).

2. Peter's story at Velberg Motors

Velberg Motors GmbH was a small, family-run auto service enterprise located in Germany, employing 12 people who worked closely together in a small workshop. The company provided routine maintenance and mechanical repairs to a loyal local customer base. Like many small firms, it operated with limited margins, informal coordination, and no dedicated human resources function. Decisions about staffing, scheduling, and quality were handled directly by the owner-manager Stefan, who combined operational oversight with personnel responsibility.

Peter,¹ a 48-year-old professional, had worked at the company for more than two decades. Known for his precision, reliability, and calm problem-solving, he was frequently consulted by colleagues and was trusted by customers. His role extended beyond individual tasks; his presence

provided continuity in a workplace where experience and tacit knowledge mattered. Peter's supervisors and peers always appreciated how well his skills aligned with the company's operational needs, but sometimes they seemed to take it for granted.

Peter's stroke occurred over a weekend, outside the workplace. Although it was medically classified as mild, its effects became evident when he returned to work a month later. The main physical issue was that Peter had limited mobility on the right side of his body. While his technical knowledge and cognitive abilities remained intact, activities such as lifting engines, tightening bolts, and working under cars – all of which Peter had previously been able to do with relative ease – now required him to use both hands and to exert considerably more effort.

The company's initial response was marked by uncertainty. Should Peter's working hours be reduced, should his tasks be reassigned, or should his employment eventually be terminated?

3. Workplace reintegration and legal constraints

In Germany, workplace reintegration measures (Betriebliches Eingliederungsmanagement, BEM) were regulated under Social Code Book IX and aimed to support employees returning to work after long-term illness (Federal Ministry of Justice, n.d.). While these reintegration measures applied to employers of all sizes, Velberg Motors, which employed only 12 people, had no prior experience with formal reintegration procedures. Moreover, under German labour law, specifically the Act on Protection Against Unfair Dismissal (Kündigungsschutzgesetz) (Federal Ministry of Justice, n.d.), dismissal or enforced early retirement due to illness was not permitted without strong justification. Employers were required to first consider reasonable workplace adjustments and reintegration options before taking such actions. Nevertheless, while the company immediately applied the general principles of non-discrimination and responsible employment, how to respond effectively on a day-to-day basis within limited resources, while maintaining team morale and service quality, remained unclear.

In the workshop, colleagues adjusted routines informally. Physically demanding tasks were shared without formal discussions, but jobs took longer to complete, and scheduling became less predictable. These short-term adjustments helped maintain daily operations, but they also

disrupted established work patterns in a small team where roles had previously been clearly defined.

The situation also created uncertainty for Stefan, the owner–manager of Velberg Motors, who relied on close coordination and physical reliability to meet customer expectations. While the workshop continued to function, it became clear that informal improvisation could not address questions of safety, workload balance, and long-term sustainability.

4. Identity at work and the emerging dilemma

For Peter, the garage was more than a workplace. It was where he came alive – where the clang of tools, the hum of engines, and the smell of oil marked the rhythm of his days. Over the decades, he had become more than a mechanic. He was the heart of the service centre: the younger staff turned to him for advice, and customers trusted him without hesitation. His workbench mirrored his mind – meticulous, methodical, and masterful.

When he returned after the stroke, he carried with him a quiet hope. However, his right arm, once so sure and steady, now trembled with the slightest effort. Tasks that once took minutes now felt like climbing a hill with no summit in sight. Still, Peter refused to see himself as broken. As the weeks passed, tensions emerged – often indirectly. Although Peter's expertise remained highly valued, his physical limitations gradually reshaped how tasks were organised, creating uncertainty around his role within the workshop.

Realising that informal adjustments did not solve the issue, Stefan, the owner–manager, began to consider relocating Peter to less physically demanding tasks within the garage, and occasionally to work that involved more planning or coordination. While these proposals appeared practical from an operational perspective, they subtly altered the nature of Peter's contribution.

Peter's concern was not about adapting to change but about what it meant for his professional identity. Even when the work remained formally connected to the workshop, shifting away from hands-on mechanical tasks towards administrative ones raised fears that he was no longer being recognised as a mechanic in the full sense of the role. The prospect of spending less time on core technical tasks and more time on supportive

activities challenged his understanding of his value and place on the team.

For Peter, the proposal felt more like exclusion than support, leading to feelings of resistance. The garage floor, hands-on repairs, and technical problem-solving were crucial to his identity and sense of belonging. He was not looking for sympathy or protection from hard work; instead, he sought a sense of purpose.

His colleagues and the manager understood that safety and service quality were essential in a workshop environment where mistakes could have serious consequences. At the same time, there was a strong sense of responsibility toward a long-serving employee whose experience had shaped the organisation. Customers and younger staff valued Peter's presence but also depended on efficiency, clear accountability, and timely repairs. What had once been an unspoken alignment between individual capability and organisational needs now required deliberate choices.

5. When informal solutions are no longer effective

By early spring, temporary adjustments were no longer sufficient to maintain stability in daily operations. Stefan faced a decision that could not be postponed. While situations like Peter's were not unique among small enterprises, responses varied widely depending on available resources, organisational values, and interpretations of managerial responsibility. In practice, what could be done and what should be done did not always align.

Peter's expertise, loyalty, and strong professional identity argued for continued inclusion, yet the workshop's operational realities required predictable performance, physical reliability, and efficiency. The key question was no longer whether Peter deserved support, but how that support should take shape in everyday practice. Could Velberg Motors adjust roles and responsibilities in a way that allowed Peter to continue working with dignity and a sense of belonging, while still ensuring reliable and safe operations? Or would maintaining performance standards require changes that, even unintentionally, altered Peter's position within the team? In making this decision, Stefan had to consider not only operational needs, but also legal obligations, ethical responsibility, and how Peter himself would experience the company's response.

Questions for reflection

1. How can a small enterprise like Velberg Motors develop an inclusive response to an employee's acquired disability that preserves the employee's sense of belonging, particularly when job identity is already well established?
2. What legal and ethical responsibilities does Velberg Motors have in responding to Peter's acquired disability? Consider how national legislation (such as Germany's Social Code IX – SGB IX) and relevant European Union frameworks (including the EU Employment Equality Directive 2000/78/EC) shape expectations regarding reasonable accommodation and inclusive workplace practices.
3. Evaluate potential adaptive solutions for supporting Peter's continued employment at Velberg Motors by considering their impact on inclusion and everyday work practices in a small enterprise.
4. Discuss how Peter might feel about the way the company responded to his disability. What could have helped him feel more included and supported when returning to work?

Note

1. This teaching case is based on a real-life situation. In accordance with confidentiality requirements, all names have been changed, and certain elements have been fictionalised for teaching purposes.

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10

AddSearch: managing culturally diverse global virtual teams in an internationalizing SME

Tiphaine Delecour and MacDonald Oguike

Case summary

Helena Rebane, Chief Executive Officer of AddSearch—a Finland-based small software company specializing in advanced content and product search solutions—was an exceptionally inclusive leader. Under her leadership, AddSearch had won the prestigious Finnish award ‘International Employer of the Year 2024’ in the small- and medium-sized enterprise (SME) category. AddSearch had already embedded diversity, equity and inclusion (DEI) practices for managing global virtual teams; however, managing cultural diversity and time zones in a virtual work environment sometimes still created tensions. How could the management of global virtual teams in this SME be further improved? This case offers insights into inclusive leadership, employee onboarding and engagement challenges in a virtual work environment, and internal communication strategies using an enterprise social network (ESN). The case relates to Sustainable Development Goals 8 (Decent work and economic growth) and 10 (Reduced inequalities).

1. Joining from around the world

In the European Union (EU), small- and medium-sized enterprises (SMEs) have been the backbone of the economy (Eurostat, 2024). A recent report from 2025 stated that there were approximately 26.1 million SMEs and their number was projected to grow by 1.2 per cent annually in 2024 and 2025 (European Commission, 2025). Among these, SMEs

working in advertising and market research have proliferated significantly (Eurostat, 2008), as more companies have begun to require the digital business development services they provide, to address market uncertainties created by socio-economic and global issues (Sutherland et al., 2024). While helping other firms to grow internationally, digital business development service providers have often become global from the day they were founded due to technological advancements in this space (Draskovic et al., 2024).

AddSearch—a Finland-based small software company specializing in advanced content and product search solutions—was one such SME that was ‘born’ global while helping others reach international markets. Thus, for Helena Rebane, Chief Executive Officer (CEO) of AddSearch, leading and managing such a primarily virtually operating business was a natural, but not always an easy task.

In January 2026, the AddSearch team, a melting pot of cultures, work experience, educational backgrounds, genders and ages, was gathering for their weekly meeting at 14:00 in Finland, Egypt and Turkey, 17:30 in Sri Lanka and India, 12:00 in the United Kingdom, 13:00 in Spain and Poland, and 21:00 in Australia.

For Helena, under whose leadership AddSearch had won the prestigious ‘International Employer of the Year 2024’ in Finland, it was common to meet with her teams in different time zones, but managing the onboarding, engagement and inclusion of the team was tricky. While Helena was a compassionate visionary who cared about work–life balance and created a company where global talents could flourish in a collaborative environment, balancing everyone’s needs was challenging at times. When entering this meeting, Helena was thinking: How can I ensure that we communicate with the team in the most efficient way? How can I make everyone feel included in our global virtual team?

2. AddSearch: a home for international talents

AddSearch was a software company headquartered in Finland, operating through a global virtual team (GVT) consisting of 17 professionals spread across eight countries and four continents: Europe, Africa, Asia and Australia. This SME attracted diverse international talents thanks to its strategic choice of empowering remote employees. The company was recognized for its leadership in inclusive business management.

Nevertheless, AddSearch still faced managerial challenges and tensions typical in global virtual work, such as miscommunication, teammates working in different time zones, diverse lifestyles and cultures, and conflicts in teams.

To address these challenges and tensions, Helena was constantly searching for solutions and best practices. For example, she allowed her employees to choose their workplace and hours but clearly stated a preference for Finland being the primary time zone:

[W]e try to mitigate obstacles by ensuring from recruitment they all know Finland is the main time zone for meetings and that there is freedom to travel, but with time zones, the less divergence the better. (Helena Rebane, CEO of AddSearch)

Teammates were always expected to greet each other in meetings and discuss culture, lifestyles and daily routines before considering the meeting's agenda. The tone used was always polite, bridging differences in communication preferences but directing the conversation so as to get answers on ongoing topics. Moreover, Helena had incorporated internal communication strategies, with an ESN, Slack and other digital tools, into daily practices to support inclusive communication within the virtual team.

3. Digital tools used for inclusive communication in the virtual SME

The tool Slack has been recognized for its facilitation of communication transparency, efficacy and quality (Stray and Barbala, 2024) in a virtual work environment. For example, at AddSearch, if someone needed an answer to a marketing question and asked in the dedicated Slack channel, Slack would send a notification to everyone in it, and the answer could then be provided by anyone. At AddSearch, every field, product and service, and team had their own Slack channel, where members could interact without limitations and exchange knowledge. Moreover, an individual was typically a part of multiple channels, thereby learning across functions and tasks. Helena saw such interaction as an organizational knowledge development tool:

Indirectly, this creates for us a database for similar questions to be answered before they are even asked, and sometimes there is no need to ask if the answer is somewhere in the old posts. (Helena Rebane, CEO of AddSearch)

The knowledge stored in this 'Question & Answer' database was a goldmine of information, available to employees, and reinforced the existing positive link between knowledge sharing and communication transparency (Chen et al., 2020). It also provided details of the company's operations and work tips.

However, communication challenges still existed at AddSearch. Questions asked were not always answered, the answers might have been unclear or incomplete, or they might have raised follow-up questions. Misunderstandings and lags due to time zones were also a problem. The use of digital interaction and meeting scheduling tools was also impacted by cultural diversity. Helena remembered:

[O]ne time, I had a meeting with a new recruit, but my calendar did not show it, and it took me 20 minutes to realize. When I joined late, I asked: 'Why did you not ping me?' It appeared that the employee considered that it was not possible to directly message the boss. (Helena Rebane, CEO of AddSearch)

To support inclusivity, Helena utilized a careful onboarding process. A technical onboarding provided access to all communication channels, files and explanations of their use. A social onboarding encouraged connection building and introduced the newcomer to the team.

4. Supporting diversity and inclusion in the GVT

It seemed that everything that could have been done was being done at AddSearch to enable inclusive, effective communication in the GVT. However, as Helena was entering the meeting, she was still thinking about the remaining challenges that persisted: miscommunication, occasional ineffective use of digital tools, task lags because of time zones... Helena therefore asked herself: How could I leverage diversity even better as a strategic asset for strengthening the firm's competitive advantage and avoid communication and work challenges in my GVT?

Questions for reflection

1. What aspects of diversity in teams could create differences and impact work practices in virtual SMEs like AddSearch?
2. What are some communication and inclusion challenges when working in a global virtual environment that can be recognized in this case?
3. What factors lead to effective work in a GVT? What are some tools or methods that facilitate open communication and reduce misunderstandings among team members, that are relevant for virtually operating SMEs? Which of these tools have already been implemented at AddSearch, and for what purpose?
4. How do the work practices and perspectives on diversity adopted at AddSearch relate to the United Nations' Sustainable Development Goals 8 (Decent work and economic growth) and 10 (Reduced inequalities)? Read about these goals and discuss which specific targets of these goals are addressed by AddSearch.
5. How could AddSearch further develop its work practices to leverage diversity and ensure inclusion within its remote and multicultural team?

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Artificial intelligence, inclusion, and the future of work at European SMEs

Sniazhana Diduc and Anita Boey

Case summary

Consulting4Future, an Austrian consulting firm led by Chief Executive Officer Barbara Sabitzer, is reassessing its service portfolio aimed at supporting small- and medium-sized enterprises (SMEs) in Europe with technological solutions and training for the effective use of artificial intelligence (AI) in the workplace. Drawing on customer feedback, the company has identified that differences in employees' vocational backgrounds, academic qualifications, and non-linear career paths often complicate communication, onboarding, and skill development when AI-enabled tools are introduced in SMEs. At the same time, the adoption of AI-driven solutions has raised ethical concerns related to employee profiling, bias, and fairness. While Consulting4Future initially concentrated on delivering technical AI solutions, the firm is now increasingly integrating diversity, equity, and inclusion (DEI) considerations into its approach, particularly with respect to multilingualism and neurodiversity in everyday work practices. The case invites learners to critically examine how AI can simultaneously promote and undermine inclusion in SMEs.

1. Making artificial intelligence understandable and useful for all

In the mid-2020s, the rapid rise of generative artificial intelligence (AI) reshaped debates about the future of work (Salari et al., 2025; Storey et al., 2025). Scholars and policymakers suggested that AI would no longer remain in a back-end technical function, but become embedded into communication, decision-making, and workplace collaboration (Acemoglu

and Johnson, 2023; Brynjolfsson and McAfee, 2023; Suleyman, 2023). For small- and medium-sized enterprises (SMEs), this shift was especially significant. With fewer resources and leaner teams, they often lacked specialised Human Resource (HR) or training departments; hence, AI was perceived as a scalable support in managing upskilling and organisational complexity (Oldemeyer et al., 2025).

Considering these ongoing changes, Barbara Sabitzer, Chief Executive Officer (CEO) of Consulting4Future, an Austrian consulting firm, looked through the window of her office. It was raining quietly, but her mind was busy with numerous thoughts. Consulting4Future, a company she had founded, aimed to make AI understandable and useful for all. Her vision was to provide SMEs with cost-effective, tailored toolkits that would help them use AI not only efficiently, but also ethically and inclusively. Thus, the company initially focused on providing training related to technical solutions.

However, Barbara soon realised that technical solutions-oriented training did not fully deliver expected outcomes. It was evident that diverse employee backgrounds complicated upskilling and AI utilisation within SMEs. Thus, she was pondering: How could she develop Consulting4Future offerings to meet their vision of AI understandable and beneficial for all?

2. Developing skills and employee potential in SMEs with AI

When working with clients and providing services that help the adoption and effective application of existing AI-enabled technologies, such as digital coaching, virtual collaboration technologies, and digital visualisation techniques, Barbara and her team expected technical questions about algorithms or data pipelines from their clients. Instead, most concerns centred on people using the technology rather than the technology itself. Clients were often anxious about how AI might affect communication in diverse workplaces comprising different educational backgrounds, multilingual teams, or neurodiverse groups.

For example, one client worried that introducing AI could create fear and uncertainty among staff. Another described a young coder with exceptional technical skills and strong logical thinking, but whose autism made communication challenging. The sales and marketing team

struggled to explain tasks to this coder, since vague instructions such as ‘*be creative*’ were unclear. They wondered if AI could help bridge this gap. A third client asked how AI might support inclusion in their company, where employees speak six different languages. Specifically, they wanted to know whether AI could help accurately translate policies to make them accessible to everyone.

These requests unsettled Barbara. They revealed a strong need: organisations were struggling to bridge gaps created by educational, linguistic, and cognitive diversity. These were the gaps that could not be easily addressed with conventional training sessions or management workshops. After a brief research, Barbara also understood the reasons for these needs. The future of work was marked by increasingly heterogeneous teams consisting of employees with diverse academic, vocational, and professional training pathways, alongside neurodiverse workers and multilingual staff (Patricio and Franco, 2022; Rollnik-Sadowska and Grabińska, 2024; Tuor Sartore and Backes-Gellner, 2020).

While this diversity enriched organisations with complementary skills and perspectives, it also complicated everyday collaboration. Studies showed that people with different educational backgrounds often communicated knowledge in divergent ways, used different problem-solving strategies, and valued different forms of evidence and authority (Rafaqat et al., 2022). Such differences easily created misunderstandings or reinforced power imbalances in mixed teams (Valls et al., 2016).

AI emerged as a dynamic and real-time tool for adaptation that could rephrase instructions, detect ambiguities, or translate text into multiple languages instantly, but it also carried risks. For example, AI-based communication might have oversimplified complex tasks or omitted and disregarded contextual nuances, particularly when translating abstract managerial expectations into standardised prompts, potentially leading to misinterpretation rather than clarity (Van Quaquebeke and Gerpott, 2024). Furthermore, the increasing use of AI as an intermediary in everyday collaboration raised concerns about deskilling and dependency, where employees and managers might have been gradually losing the capacity to negotiate meaning, give constructive feedback, or engage in a reflective dialogue without the support of AI tools (Granulo et al., 2024). Also, the recent studies showed that individuals tended to devalue messages when they were aware that AI was involved in the production (Yin et al., 2024). This was partly explained by lower trust in AI-generated or AI-supported content compared to human-generated communication

(Tong et al., 2021). However, a number of emerging studies indicated a growing acceptance of AI use in human communication when AI involvement was transparently reported (Purcell et al., 2024; Turel and Kalhan, 2023).

There was an additional challenge that Barbara had envisioned. She believed that her clients would soon ask for AI tools capable of predicting employee potential. Across Europe, schools and universities were experimenting with AI-driven personalised education. Students were no longer assessed solely by grades, but also by learning speed, retention, and behavioural patterns (Vincent-Lancrin and van der Vlies, 2020). Employers began to speculate that soon job applicants would not just bring diplomas. They would also be expected to show their adaptive profiles that demonstrate how they learned, how fast they improved, and what styles suited them best.

The implications were twofold. On the one hand, such profiling could have helped match people from diverse educational and vocational backgrounds to tasks that fitted their strengths and potentially unlocked hidden talent. On the other hand, researchers warned of potential risks. Algorithmic profiling might have stigmatised slower learners, misinterpreted non-linear development paths, or reinforced biases against workers with vocational training or neurodiverse profiles (Baker and Hawn, 2022; Cachat-Rosset and Klarfeld, 2023; Pelletier, 2024).

3. The blurred line between inclusion and negative impact on employees: fork in the road

Barbara's list of problems became clear. She questioned:

How should we design upskilling and enhance the work environment with technology that AI tools would be useful for everyone? Are we being asked to use AI to solve organisational or human challenges? Moreover, if we offer innovative services, such as tools predicting employee potential, would our customers understand the ethical risks involved? Could an AI-generated profile limit someone's future simply because their educational journey was longer or fell below the average? Could a tool designed to include everyone evolve into one that silently excludes those who did not fit the algorithmic norms? Is our role to address ethics and responsibility in technological solutions, or should we rely on customers addressing these concerns as they use technology?

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Barbara gathered her team.

‘What’s our responsibility here?’ she asked. ‘Are we building tools that help people or tools that label them?’

No one had an easy answer. The team researched possible AI-driven assistants that might help SMEs break down vague tasks into concrete instructions, translate workplace communication, and provide structured templates for neurodiverse employees, but they could not answer how to debate ethical dilemmas of turning AI into a positive mediator of human diversity.

Questions for reflection

1. What social and technological trends were shaping Consulting4Future customer needs?
2. What specific challenges arise when employees with diverse educational backgrounds (e.g., vocational training, academic degrees, or non-linear learning paths) work together in SMEs, and why might AI be better suited than traditional solutions to address them?
3. What ethical risks should SMEs consider when using AI to interpret employee behaviour, communication patterns, or learning styles? Could such profiling unintentionally reinforce exclusion instead of fostering inclusion?
4. What are the potential benefits and risks of using AI to support employee learning and development in resource-constrained SMEs? How can managers balance efficiency gains with ethical concerns?
5. Based on the trends observed in the case, what future risks and opportunities might arise from AI profiling in hiring and learning within SMEs in Europe? How should the case company strategically respond to ensure inclusion and fairness?
6. How could Barbara develop Consulting4Future offerings to meet their vision of AI understandable and beneficial for all, balancing social and technological trends with ethical responsibilities?
7. Evaluate the implications of EU regulations and policy frameworks (e.g., the AI Act, GDPR, European Skills Agenda) on the ethical and inclusive adoption of AI in SMEs. What specifically should Barbara consider from these regulatory and policy frameworks when updating the company’s service offerings?

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12

Working as a single parent in an SME: balancing work expectations and family life

Jurgita Butkevičienė, Joana Ramanauskaitė and Emil Velinov

Case summary

This real-life case explores the resignation of Julia Schneider, a single parent employee, which reveals deeper tensions between work expectations, caregiving responsibilities, and organisational practices at Valent Hausverwaltung, a resource-constrained small- and medium-sized enterprise (SME) in Germany. While the company takes pride in its responsiveness and dedication to client service, its informal work arrangements and constant availability expectations create a managerial dilemma: how to sustain service reliability and operational efficiency while accommodating employees with primary caregiving responsibilities. Moving beyond an individual situation, the case illustrates how work–life balance is translated in SMEs, where informal practices often substitute for formal policies. It highlights issues of fairness and inclusion, while emphasising the agency and constraints of small firms in shaping everyday work practices. The case invites learners to analyse an urgent managerial dilemma involving job design and work expectations in relation to employee work–life balance.

1. A reliable business meets a quiet crisis

Valent Hausverwaltung (further in the text as Valent) had built its reputation on one promise: someone always picks up the phone. This commitment ensured that no question went unanswered and no concern was overlooked, fostering trust and reliability among those they served. For a

small, respected property management firm in Germany with fewer than ten employees, reliability was its competitive advantage. Clients trusted Valent to handle tenant communication, rent collection, maintenance coordination, and regulatory compliance – often at short notice and outside standard working hours. Lean and efficient, the company prided itself on responsiveness and personal service. Over time, this commitment to being ‘always on’ shaped not only how Valent worked, but also what it expected from its employees.

Yet beneath this success, a challenge had begun to surface. Several employees with primarily caregiving responsibilities, particularly single parents, were struggling to keep pace with the demands of the job. While the company described its working hours as flexible, in practice, they were highly unpredictable. Late-night tenant complaints, emergency plumbing issues, and last-minute viewings were part of daily operations. Declining late client calls or rescheduling meetings for family reasons was technically acceptable, yet often accompanied by subtle signals of inconvenience or disappointment, reinforcing expectations of constant availability.

At Valent, flexibility existed informally rather than by design. Without any formal HR structures and collective discussions, employees were expected to ‘make it work’ when unexpected client issues arose, and those who stayed late or responded outside working hours were often praised for their commitment. Staff care-related constraints were typically discussed privately and treated as individual circumstances, rather than as signals that work expectations themselves might need to be reconsidered.

For employees without reliable caregiving support, meeting these expectations required constant negotiation between professional responsibility and family obligations. This issue became evident when Julia Schneider,¹ a dedicated employee who had been with Valent for six years, submitted her resignation. She spoke calmly to her manager, though her eyes revealed her exhaustion – fatigue was unmistakable. ‘It’s not the work,’ she told her manager. ‘I just can’t be in two places at once anymore.’

Her decision surprised the team. Julia Schneider managed several of the company’s key accounts and was highly valued by clients for her reliability and problem-solving skills. At the time Julia joined Valent, her caregiving responsibilities were manageable within the company’s work expectations; however, over the following years, she became the primary

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caregiver for her child, which increased the intensity and unpredictability of these responsibilities.

Her departure triggered the first serious internal discussion about working conditions that had long been framed as individual challenges rather than organisational ones. For the first time, Joe Weber,¹ the company's founder and manager, recognised that what had been framed as personal challenges were organisational issues arising from constant availability expectations that pushed employee caregivers out of the firm.

2. Caught between rules and real life

Joe, the company's founder and manager of Valent, often remarked, 'I built this business with two phones and no weekends.' The phrase reflected more than personal dedication and entrepreneurial devotion. It captured a way of working shaped by long hours, constant availability, and a belief that reliability was earned through sacrifice. These values resonated strongly with traditions often associated with German small businesses, where discipline, professionalism, and high service standards were deeply ingrained.

Yet both the workforce and the broader social context had changed. Labour shortages, an ageing population, and a declining birth rate were reshaping employment relations across Germany and the wider European labour market. Existing labour shortages were further expected to intensify by rapid population ageing, as the working-age population was expected to shrink by about 9 per cent over the next decade (OECD, 2025). At the same time, across Europe, the expectations around work-life balance and caregiving responsibilities were becoming more visible, particularly in small firms where informal practices often substituted for formal policies (Cegarra-Leiva et al., 2012). For Valent, these shifts raised difficult questions about how much flexibility could be offered to employees with primary caregiving responsibilities, such as adjusted working hours, reduced availability outside standard times, or task reallocation, without affecting client service or overburdening other team members.

National data showed that this problem was not unique to Valent. In 2023, Germany's Ministry for Family Affairs reported that the country had approximately 1.7 million single parents, around 90 per cent of whom were women, and that single-parent households faced disproportionate employment stress, heightened risks of poverty (Hertie School, 2023).

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June 14; Bundesministerium für Familie, Senioren, Frauen und Jugend, 2023). While these figures underscored the structural challenges faced by single mothers, they also obscured a smaller but significant group: single fathers, who accounted for roughly 10 per cent of single parents and often encountered similar constraints, yet received far less attention in workplace discussions.

At Valent, the issue was not framed explicitly in gendered terms. Instead, it revolved around care responsibilities and the realities of being the primary caregiver without reliable backup. Some employees privately noted that debates over flexibility tended to focus on mothers, while others worried that acknowledging caregiving needs more broadly might open the door to claims of unfairness. 'If we start making exceptions,' one colleague asked during an informal conversation, 'how do we explain that to the rest of the team when clients still expect the same response times?'

European policy developments added another layer of complexity. Over the past decade, the European Union has introduced initiatives such as the EU Work–Life Balance Directive (Directive (EU) 2019/1158), the European Pillar of Social Rights, and funding programmes including EU4Health and the European Social Fund Plus to support working parents and caregivers (European Commission, 2017; European Commission, 2019; European Commission, 2021). At the EU level, work–life balance was increasingly viewed not only as a labour market issue, but also as a public health concern. The EU4Health programme emphasised the importance of healthy working conditions, mental well-being, and the prevention of work-related stress and burnout, particularly for workers with caregiving responsibilities (European Commission, 2023). However, while these policy frameworks formally applied to organisations of all sizes, implementing them often required established HR processes and administrative capacity. Small enterprises such as Valent may not have had these resources and therefore relied more on informal arrangements when applying work–life balance principles in daily operations.

3. From insight to decision: the dilemma

Joe, Valent's manager, openly reflected on the gap between policy commitments to work–life balance and the everyday realities of implementing flexibility during recent cross-sector discussions on inclusive work practices (DEI4SME Hackathon, 2024). These conversations highlighted a recurring issue: in many small firms, like Valent, flexibility was

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acknowledged in principle but rarely translated into predictable working hours, support during childcare emergencies, or consistent managerial backing. As a result, employee resignations might have signalled not individual failure, but a broader misalignment between work expectations and the realities of the caregiving workforce.

For Valent, these insights sharpened an already pressing concern. The company's business model relied on high responsiveness, client trust, and a small team managing multiple responsibilities. At the same time, the departure of experienced employees made clear that existing ways of working were becoming increasingly difficult to sustain for those with caregiving responsibilities, i.e., single mothers, single fathers, or other primary caregivers.

Through discussions within his professional network, Joe realised that similar challenges were emerging across other small firms. A broader pattern became visible: many workplace expectations remained shaped by outdated 'ideal worker' assumptions, such as constant availability and the absence of care obligations. What resonated most was not blame, but recognition. Managers and business owners acknowledged their own fatigue and the personal costs of continually 'going the extra mile.' The issue was no longer only about supporting caregivers, but about questioning work norms that affected the entire workforce.

These reflections increased Valent's awareness of the problem, but they did not offer a ready solution. Julia's resignation, following six years of employment, made visible how changing caregiving responsibilities could disrupt an employment relationship that had once worked well for both sides. At the same time, limited resources and the nature of the business constrained the company's options. Valent, therefore, faced a critical managerial decision: whether – and how – it could rethink job design and work expectations to better support employees with caregiving responsibilities, as well as the well-being of everyone in the firm, without undermining client service, perceptions of fairness within the team, or the core values on which the business had been built.

Questions for reflection

1. Describe how Valent operates as a service business. What are the key features of its way of working, and how do these features both

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- enable and constrain employees' ability to achieve work–life balance, particularly those with primary caregiving responsibilities?
2. Which everyday expectations, cultural norms, or management practices at Valent shaped how work was organised and evaluated? How might these practices have limited the company's ability to recognise the need for more flexible working arrangements for employees with caregiving responsibilities, and how can this situation be interpreted through the lens of organisational justice?
 3. How can Julia's employment journey – from joining Valent to leaving the firm – be understood through changes in fit between the employee and the organisation over time?
 4. In the context of Valent, to what extent can a resource-constrained SME adapt jobs and work practices to employees' changing life circumstances without undermining business viability?
 5. Why do EU work–life balance policies, despite formal legal compliance, sometimes fail to translate into everyday inclusive practices at the organisational level?

Note

1. This teaching case is based on a real-life situation. In accordance with confidentiality requirements, all names have been changed, and certain elements have been fictionalised for teaching purposes.

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13

Merinova: reconsidering employee age in European businesses

Tauno Kekäle, Aušrinė Šilenskytė and Margaret Fletcher

Case summary

This case examines age-related discrimination challenges faced by workers over 55, using the Technology Center Merinova, a small European cluster company that enables innovations in the region, and its project manager, Tauno Kekäle, as a discussion context. In the case, the experience of Tauno Kekäle, a high-level professional close to the age of retirement, is juxtaposed with experiences of other similar-age professionals, illustrating the problem of age discrimination at work, especially at the stage of hiring, common in Europe and especially in Finland. The case supports reflections on age discrimination as a business management problem, demonstrating that expertise losses that happen if it remains unaddressed are harming business success. Through Merinova's best management practices, learners discover some easy-to-implement solutions for fixing age discrimination-related problems in business, especially in small- and medium-sized enterprises (SMEs). The case relates to Sustainable Development Goals 8 (Decent Work and Economic Growth) and 10 (Reduced Inequalities).

1. Growing proportion of aged workforce in Europe and growing discrimination of them

The overall trend of demographic change in Europe was that of an ageing continent; the biggest age group in the age pyramid was people between 45 and 50 years of age, and fertility was low (Views of the World, 2014, Eurostat, 2024). Although there were country variations across Europe, in 2025 the EU population was estimated at 450.6 million people, and

Aušrinė Šilenskytė, Margaret Fletcher, Jovita Butkevicius, and Chenthran

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more than one-fifth (22.0 per cent) were aged 65 years and over. The median age of the EU's population was 44.9 years and increased in most EU members between 2015 and 2025 (Eurostat, 2026).

Browsing LinkedIn with his morning coffee, Tauno Kekäle, project manager at the Technology Center Merinova, a successful and highly valued professional close to the age of retirement, spotted several posts on social media shared by professionals aged 55+. All had been recently rejected as job seekers due to their age:

All of my experience shows that age has practically no correlation with the performance required for the work. While the interview was mostly about what was wanted for the position, it was obvious that it was a young employee that the employer was searching for.

[T]he local sales manager of a national electrical wholesaler told me very directly when my age came out in the discussion that 'you understand that you are older than your colleagues.' When I questioned the relevance of that issue, his counterargument was to suggest that the age difference might bring out a conflict and hinder personnel chemistry[.]

A professional in the cable industry got a job. But despite the preliminary good sales results, his probation was terminated. In his own words, he 'didn't fit in.' Apparently, all the other new hires in that company were younger guys.

While reading these posts, Tauno considered: Why were older employees labelled as 'not fitting in' despite demonstrated performance? Why was their age considered a problem for building good relationships in the company and with customers? Why might someone be considered too old for work when they are still within the legally defined working age and are willing to work?

2. Too old to work?

Given that his Finnish peers were the authors of these social media posts, Tauno researched some statistics on demographics and information about the retirement system in Finland. The country's population was ageing very rapidly, showing the steepest age pyramid in Europe: already in 2010, when one person graduated from university, two people retired (Statistics Finland, 2010). This demographic imbalance continued over the years, projecting a significant shrinking population crisis by 2050 (*Helsinki Times*, 2025). These trends prompted significant

policy adjustments, such as raising the retirement age (Kotamäki and Lehtimäki, 2025) and making it flexible in line with life expectancy trends (Finnish Centre for Pensions, 2025).

Unlike many other EU countries (Foundation Robert Schuman, 2025), the retirement system in Finland had no fixed retirement age; the retirement age was defined personally, considering the year of birth and/or length of residence in Finland. The earliest retirement was possible at the age of 62, but with a fraction of the pension. When working, the pension accrued until the upper age limit of 69–70. After this age limit was reached, individuals were still permitted to work while receiving both a pension and work income; however, the pension itself did not accrue (Finnish Centre for Pensions, 2025; Nordic Council, n.d.). This meant that in Finland, workers of higher age lived within an institutional system that encouraged them to stay at work as long as possible.

Reading these facts, Tauno remembered several conversations with friends his age who were sharing the reasons why employers, especially small and medium enterprises (SMEs) in which they sought jobs, were concerned about their age:

When applying for a job in store sales, a local dealer from Southwestern Finland made me outraged by suggesting my age would make it difficult to manage the workload. One of his first questions was, ‘How do you think you can still cope with this kind of work?’

I was not chosen for the role of field salesman for a company in the Western and Central region area of Finland because I didn’t live near the company headquarters 100 km separated me from the office, but, as a general rule, the work would anyway have taken place elsewhere than at the office. Or so I thought.... Overall, it was pointedly stated that due to the mobility, as a rule, they did not think that I would be able to handle such a fast-moving job for such a long time because of my age, although I had already been doing the same type of job for 11 years in different positions!

Considering these conversations, Tauno thought, ‘Are companies that prefer a younger over an older workforce right in their hiring choices? Why have I not faced such discrimination, but my peers did?’ Driven by these reflections, Tauno examined his workplace, an SME called Merinova that was leading innovations and various developments in the region.

3. Merinova: a company with regional market influence

Technology Center Merinova, often referred to as Merinova, was an SME that represented about 180 industrial companies in the EnergyVaasa Cluster in Finland. Merinova, founded in 1989, played a pivotal role in strengthening the energy cluster of the Vaasa region by fostering collaboration among companies, universities, and organisations. Through its expertise in energy technology and business development, the company enabled groundbreaking innovations and new ventures that reached regional, national, and global impact (Merinova, n.d.).

Merinova employed 19 employees, all of diverse ages, and at least three were 55 years old or above. The working atmosphere among all employees was very friendly, and Tauno never felt that his skills were valued less or that he was excluded from any conversations because of his age. In fact, an age- and otherwise-diverse team allowed Merinova to represent and engage with diverse stakeholders, unite the experience and thinking of different generations, and successfully win international projects for regional development.

Several simple yet effective management practices enabled Merinova's openness to diversity and inclusion at work. Merinova hired people by considering both their high level of skills, their professional networks, and their tacit knowledge that has been obtained over years of experience. To ensure that all these aspects would be appreciated, Merinova made a practice of interviewing everybody who applied for a job and reflecting holistically on the profiles and potential of candidates. In addition, working principles in Merinova were based on getting work done with the belief that experience was appreciated, but learning daily was necessary for employees of any age. Performance assessment was based on assessing employees on an individual basis and understanding that people get the job done in different ways. This required a bit of managerial effort, no costs, but positively shaped Merinova's capabilities for innovation, fuelled inclusion, and increased the team's motivation to perform.

4. Rethinking how European businesses view employee age

In his conversations with companies from the EnergyVaasa cluster, Tauno often heard that regional employers, comprising smaller and

Aleksandra Silepskyte*, Margaret Fletcher, Jurgita Butkeviciene*, and Chenthran

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larger firms, wanted to find good employees and stated that employee shortage hindered their business growth the most, more than complex international politics or finding new customers. However, at the same time, Finland's unemployment rate for individuals over 55 was the highest in the Nordic countries (Trading Economics, 2026). In Finland and some other European countries, on average, about 50 per cent of employees experienced biases at work due to their age (Kiverä et al., 2025), with older employees most often experiencing limited access to training and development and less positive evaluations of their work results (Kiverä et al., 2026).

Considering the needs of the cluster Merinova represented and the experiences of his age peers from around Finland, Tauno thought, 'Can it be so that while companies complain of employee shortages, they simultaneously disregard experienced job seekers and employees of older ages? Can it be that the anti-discrimination laws that the country has are not functional in practice? Is age-based discrimination an issue that the state governance and social system should address, or is it a matter that businesses should reconsider and address to ensure their success?'

Questions for reflection

1. What does the case suggest about the ageing workforce in the EU and Finland? Study the age structure in the region/country where you live. What is the age pyramid like? What is the ratio of newborns relative to 20–30-year-olds, 40–50-year-olds, and retirees? How is your region's situation regarding employee age similar to or different from the situation described in this case?
2. Based on your reading of this case, what concerns do employees and job seekers of an older age report as they participate in or attempt to enter the workforce? Based on your opinion and research, to what degree are their concerns valid? Explain your reasoning.
3. As you examine social media outlets, popular business journals, local and national news, and talk to human resources professionals, how are employees of a higher age portrayed in your country, industry, or discipline? What do these information sources say about the ability and motivation of older professionals, as well as the pros and cons of employing them?
4. Anticipating the difficulties 55+-year-old professionals are likely to encounter securing or staying in employment, suggest some policies and company best practices that would level the employment

- playing field for all ages of jobseekers. When answering this question, do your research and consider some of the best management practices that Merinova has adopted.
5. What, if any, role should companies, especially smaller firms, play in employing older employees to help solve the ageing problems in Europe? What are the reasons for and against their participation in this process?

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14

Welcome in words, not in law: rethinking relocation for LGBTIQ+ talent

Jurgita Butkevičienė, Elzė Rudienė and Michael Christofi

Case summary

Elena Bergström, HR Manager at Nortitam, a mid-sized Swedish technology company, faced a difficult decision when relocating a key software architect from Sweden to Lithuania at the beginning of 2023. The employee's same-sex marriage, legally recognised in Sweden and Canada, was not recognised under Lithuanian law. What initially appeared to be a routine international transfer became a test of Nortitam's diversity, equity, and inclusion (DEI) commitments. Working together with Relocation Services, a firm SME contracted to manage the cross-border move, Elena had to navigate tensions between national immigration and family law, EU data protection requirements (GDPR), and the company's stated commitment and reputation to inclusive practice. The case examines how inclusive corporate policies may produce unintended exclusionary outcomes when they intersect with fragmented legal frameworks within the European Union. It highlights the practical, ethical, and reputational challenges that arise in relocation management and invites analysis of how organisations and their service providers address legal asymmetries across jurisdictions that differ in their recognition of LGBTIQ+ rights.

1. Scaling with values: inclusion meets global mobility

Although the European Union has promoted shared principles of equality and free movement, certain areas of law, including family recognition and immigration, have remained under national jurisdiction (European Parliament and Council of the European Union, 2004). As a result,

cross-border employee relocation might have involved navigating differences in how member states regulate residence and family status within a common EU legal framework.

Nortitam,¹ a fast-growing Swedish technology firm headquartered in Stockholm, had recently opened a subsidiary in Vilnius, Lithuania. The company aimed to strengthen its Artificial Intelligence (AI) development capacity, particularly as Vilnius was emerging as a regional AI hub, with the preparations to launch Lithuania's National AI Centre (Lithuania.lt, 2024). To facilitate this strategic expansion, at the beginning of 2023, Nortitam planned to relocate a senior software architect from its Stockholm headquarters to lead the AI implementation initiative in Lithuania.

Elena Bergström,¹ an experienced Human Resources (HR) Manager at Nortitam, had always prioritised an inclusive culture. Despite the firm's rapid growth, she ensured that diversity, equity, and inclusion (DEI) remained core values. Nortitam was actively involved in local tech initiatives that promoted inclusivity, which had garnered attention within the industry.

After a competitive internal recruitment process, Elena selected Thomas Wright¹ as top candidate. Thomas was an experienced software architect with significant leadership experience in cross-border projects in Canada and the United Kingdom. He was recognised for successfully delivering complex AI integration initiatives across distributed teams. His technical expertise and international experience made him a valuable asset for Nortitam's expansion into Lithuania. During early conversations, Thomas told Elena he would be relocating with his partner. In English business communication, the term 'partner' did not specify gender or legal status, and no further clarification was initially sought, as relocation procedures typically focused first on the employee's work authorisation.

To manage the relocation, Nortitam, a medium-sized enterprise with limited HR resources, contracted Relocation Services, a Lithuanian boutique firm specialising in cross-border relocation services. The initial stages of the transfer, including immigration documentation, residence permit formalities, and housing arrangements, progressed smoothly. However, during the documentation review, Relocation Services informed Elena that the relocation package could not be processed as planned due to a legal inconsistency regarding Thomas's family status: Thomas's partner could not be considered a spouse under local law due to

¹ Thomas Wright is a pseudonym. The author is grateful to the participants of the 2023 International Conference on Diversity and Inclusion in the Workplace for their feedback.

the family definition. What seemed to be a procedural issue soon became a structural constraint.

2. The legal wall

Relocation Services was a Lithuanian boutique relocation services firm operating across several European jurisdictions, known for its efficient, creative, but compliance-oriented approach. Its consultants strictly followed host-country immigration and family law, ensuring legal certainty for client organisations. During the documentation stage, the Relocation Services' compliance system flagged that Thomas's marriage certificate, issued in Toronto, would not be automatically recognised under Lithuanian law, which did not recognise same-sex marriages (Republic of Lithuania, 1992). Consequently, Alex Morgan,¹ Thomas's partner, could not be processed as a spouse under standard national immigration procedures or included in the relocation package as a legally recognised dependent. While alternative pathways under EU free movement provisions might have existed, such as applying for residence rights as a family member of an EU citizen exercising free movement (European Parliament and Council of the European Union, 2016), these routes would have required additional legal interpretation, documentation, and coordination with local authorities. They fell outside Relocation Services's standardised relocation procedures, introducing legal and administrative uncertainty and extra costs for Nortitam and Thomas.

Elena was surprised at hearing these findings. Nortitam had not gathered information about Thomas's marital status and gender identity during recruitment, in compliance with the GDPR's (General Data Protection Regulation) restrictions on processing special category personal data without explicit consent (European Parliament and Council of the European Union, 2016). This approach, aimed at protecting privacy, seemed to hinder the organisation's ability to anticipate relocation challenges. The relocation package was based on standard assumptions of spousal eligibility, without considering the implications of host-country family law.

So only at this stage did the practical implications become visible. Without recognition of marital status under Lithuanian law, Alex could not be processed as a spouse under standard procedures and faced challenges with residence status and family benefits, such as covered immigration fees, travel expenses, healthcare, housing adjustments, and

¹ Alex Morgan is a pseudonym. The character is not based on any real person. All names and details are fictional. Contact: Jayton - 9781035361243

insurance coverage for the partner. As a result, several thousand euros in expenses could be borne by the employee. Thomas's response to Elena was gracious but clear:

I appreciate the effort, but relocating without my spouse being legally recognised and protected is not a risk we can take. If your support doesn't include Alex, then this move might not be possible for us.

3. The internal dilemma

For Elena, the situation quickly became more than a legal compliance issue. As HR Manager, she had actively promoted an inclusive workplace and viewed Thomas's recruitment as a reflection of the company's DEI values. The job offer, including relocation support, represented a promise, not just an incentive. Yet the company's carefully designed relocation policy, which extended benefits to the 'employee and legal spouse', had not anticipated legal differences across countries, exposing a gap between inclusive intent and practical implementation.

At the same time, Elena faced conflicting responsibilities. She was required to comply with the company's policy, ensure legal compliance, and treat employees consistently, yet she also recognised that Thomas faced barriers that other employees would not. GDPR restrictions had limited what HR could ask during recruitment and at work, protecting employee privacy, but this lack of information had contributed to the current dilemma. Caught between legal constraints, organisational rules, and her own ethical commitment to inclusion, Elena realised that the decision she made would signal to the employees and external stakeholders what the company's DEI values truly meant in practice.

Elena discussed potential solutions with Relocation Services and also gathered the Nortitam management team to explore what the company could offer to comply with both corporate policy and local legal requirements. The discussion among the management team revealed openness and a willingness to engage, but also the limits of the company's existing procedures.

While Thomas waited for an answer, he appreciated the team's efforts yet remained understandably frustrated that, in 2023, a globally ranked

technology firm had no immediate solution to a challenge affecting many LGBTIQ+ professionals.

4. From policy to practice: a moment of choice

For small- to medium-sized tech firms, international growth increasingly relied on attracting global talent, especially in high-demand fields like AI and cybersecurity (Implement Consulting Group, 2025). In this context, relocation policies functioned as more than administrative arrangements; they served as visible expressions of organisational values that influence talent attraction, retention, and corporate reputation.

Knowing these industry pressures to win the war for talent, Elena found herself at a crossroads. The situation raised difficult questions: how could the company uphold its commitment to inclusion while operating within national legal boundaries? Should relocation policies aim for uniform treatment, or for equitable support that accounts for unequal legal realities across countries?

Nortitam management team was sympathetic but cautious. ‘We can’t challenge national laws,’ the Nortitam General Manager warned. ‘But we can’t afford to lose a professional like Thomas either.’

Elena recognised that the decision would extend beyond this single relocation. How the company responded would shape employee trust, external perceptions of its DEI credibility, and its reputation as an employer of choice in the global technology market. What began as an individual case had become a defining test of whether inclusive values could be translated into practice under legal constraint.

Questions for reflection

1. What legal frameworks are in conflict in this case, and why does this matter for LGBTIQ+ employees? How do these frameworks interact to challenge inclusive relocation policies?
2. What are the unique global mobility and relocation challenges LGBTIQ+ employees face, as seen in this case?
3. How should HR managers balance organisational values with national legal restrictions when managing international relocation cases like Thomas’s?

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4. What could Elena and the management team have done differently to prepare relocation policies for diverse employees like Thomas?
5. How does this case affect the company's employer reputation and long-term talent strategy?

Note

1. This case is anonymised and based on a real scenario. While some details have been fictionalised for educational purposes, the core events reflect actual experiences of the organisation. All names and identifying details are fictitious and used solely for educational purposes.

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