

Business lessons on diversity and cultural sensitivity from H&M

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Global retailer H&M may need to take a look at its human resources strategy and in particular at staff awareness and insight into diversity and intercultural competence, says business school professor.

An H&M [advertisement](#) that sparked an outrage globally and resulted in protests at South African outlets has deepened into a bigger crisis as questions are raised about the company's awareness of diversity, racism and cultural sensitivities.

The Ahmed Kathrada [Foundation](#) on Tuesday said it was not the first time that Swedish retailer H&M had come under scrutiny regarding racial insensitivity and that it was also slammed in 2015 in a similar event over the use of white models in their campaigns. "These two incidents are perhaps indicative of the type of ignorance that continues to prevail around issues related to race, perhaps not only at H&M, but in the broader advertising sector and in society in general," the foundation's executive director Neeshan Balton said in a statement.

The fracas resulted in an announcement on Tuesday from H&M that they have appointed a "global leader" in addressing diversity and inclusiveness, and, according to Visiting Professor Frank Horwitz at the UCT Graduate School of Business, it carries some important business lessons for global companies.

"Unfortunately, when it comes to operating across borders and in emerging markets, many big companies simply import Western strategies, resulting in cultural difficulties, labour tensions and deadlocked negotiations and failed agreements," says Professor Horwitz.

He is the convenor of a new course at the GSB called HR Strategy for Emerging Markets, focusing specifically on companies operating in culturally diverse emerging markets and the unique challenges presented especially to multinational companies operating across borders on foreign soil.

"Many organisations don't fully appreciate, not only that context matters, but that it can prevent a company from thriving and cause various obstacles and stumbling blocks, resulting in tensions, possible financial losses and poor productivity," reveals Professor Horwitz.

At the beginning of 2018, the [World Bank](#) forecast that economic growth globally would be driven by emerging economies, and commodity exporters in particular. Growth in developed economies, on the other hand, is projected to slow to 2.2%.

Professor Horwitz says this poses business challenges. More and more companies are looking to extend operations in emerging markets, and capitalise on stronger economic growth, wider customer bases and increased opportunities. But emerging markets come with their own challenges and companies need to truly understand the dynamics of each country in which they operate.

"Companies that have a sound HR strategy to guide them in the understanding of diversity and context will be better positioned to take advantage of growth in emerging markets," he says. "HR strategy is inseparable from business strategy and in emerging economies it offers organisations an opportunity to bypass reputational damage, avoid unnecessary costs and accelerate growth in rapidly developing markets," he says.

"Companies operating in South Africa, for example, need to be aware of the historical context and the heightened sensitivity around race and politics," says Horwitz. "Arguably, had H&M had this wider perspective, it would not have blundered so spectacularly not once, but twice!"

And the fact that the advertisement was placed on an online site aimed at UK viewers, is not an excuse, he adds. In a global context, it quickly reached South African audiences. “If you are in business globally, you need to think globally.”

HR strategy encompasses business strategies and includes new models and applications for emerging markets. It involves expatriate strategies, training and talent management, understanding cross-cultural challenges and aligning culture, HR systems and operations.

“The best human resources strategy and practice is that which adds value to an organisation and its stakeholders in the context in which it operates,” says Professor Horwitz. “It may be a case of not knowing how much your company needed it – until it is too late.”

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