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Case example of Volvo Cars

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Company background
Volvo Cars is an automobile maker, founded in 1927 in the city of Gothenburg in Sweden. Volvo was formed as a subsidiary company to the ball bearing manufacturer, SKF, which sold most of its shares in the company when Volvo AB was floated on the stock exchange in 1935. Volvo Cars was owned by Volvo AB until 1999 when it was acquired by the Ford Motor Company and placed in its Premier Automotive Group.

In 1966, Volvo opened its Torslanda Plant in Sweden, one of its largest production centres. In 1965 the Ghent plant was opened in Belgium, the company’s second largest production centre. Finally in 1989 the Uddevalla plant in Sweden was opened – this is now jointly operated by Volvo Cars and Pininfarina, an Italian manufacturer of niche vehicles for a range of brands including Ford and Volvo.

Britt Ålvaster-Thomasson (Global Diversity Director) recounted the story of how Volvo was started back in the early twentieth century:

‘Two guys founded this company, one engineer and one finance person. They met over a plate of crayfish, had a common mission, and that was to start to produce cars in this country, way up in the northern part of Europe.’ (listen to Britt Ålvsater-Thomasson)

Operations
Volvo cars produced 14,476,279 cars between 1927 and 2006. Production is largely customer order-driven, which imposes significant demands on flexibility, as several different models are built on the same production line. In 2006, Volvo cars manufactured 426,535 cars at its production plants in Torslanda, Ghent and Uddevalla and at its assembly plants in Malaysia, Thailand, South Africa and China.

Customers
Volvo now sells cars in over 100 countries. In 2005 Volvo sold a total of 443,947 cars, a reduction of about 3% compared with the previous year. Their largest market is the USA, which accounted for about 28% of the total sales volume in 2005. The US is followed by Sweden (12%), the UK (8.6%), Germany (7.9%) and Italy (4.6%). The markets that grew the most in 2005 were China (83%), Ireland (39%), Portugal (34%), South Africa (30%) and Greece (25%).

Philosophy
The guiding principle from the foundation of Volvo has been safety, and this forms one of the core values of the company today along with product quality and care for the environment. Volvo places great importance on environmental care and has an established environmental care policy. The company also has a safety centre, unique in the world, and leads the Ford group in terms of safety.

Diversity management practice
Volvo Cars regard diversity as a concept referring to everything that makes people different, including age, education, life experience, gender, personal values and other factors. The overall objective of their diversity policy is to increase their competitiveness and ensure profitable growth. The company aims to support an organisational culture that values and embraces
individual differences, and to use this unique composition to gain a competitive advantage. The overall goal is to fulfil their business objectives by:

- improving service and customer satisfaction;
- increasing sales;
- increasing innovation;
- recruiting and making full use of the best talents available;
- strengthening their brand.

The prominence of the business motive for the Volvo Cars diversity programme is notable compared with many other companies, where for example, legislative concerns or human resource issues are more prominent.

**Why diversity management?**

Volvo Cars began to look at diversity in the early 1980s, due to the introduction of equality legislation in Sweden. The legislation stipulated that every company with more than 10 employees had to produce an equal opportunities plan. Volvo employed a full-time officer to oversee this process. This equality officer drew up ‘a vision for equal opportunities’ ([listen to Britt Älvsater-Thomasson](#)), arguing that Volvo’s staff profile should mirror its customer base.

Another factor driving the development of diversity management in Volvo was its acquisition by the Ford Motor Company. Ford had a strong tradition of diversity and equal opportunities and this influenced Volvo Cars:

> ‘In 1999 Volvo were part of the Ford Motor Company and Ford has its head office in North America. In North America they have come a long way when it comes to gender diversity, ethnic diversity and so on. So Volvo learned a lot and gained a lot from them …” ([listen to Britt Älvsater-Thomasson](#))

**Implementing diversity management**

Volvo characterise themselves as still being in the early stages of implementing diversity practice. One of the key steps taken by the organisation was the implementation of a diversity directive, i.e. a policy document setting out Volvo’s definition of diversity, responsibilities for managing and working with diversity, and a plan of action. The activities specified in this policy are audited. Additionally, in 2006, Volvo Cars started an accelerated diversity management initiative, which is a focused diversity strategy for the company.

Volvo Cars has a global diversity council led by the head of human resources and comprises the line managers of the different functions in the company. In the beginning the council met three to four times a year, but now they meet monthly to oversee the operation of diversity policy and practice. This indicates an increased commitment to the company diversity policy.

**Key elements of diversity management**

The fundamental elements that underpin Volvo’s diversity management practice are zero tolerance of harassment in any form and full compliance with legislation in the area.

An important aspect of Volvo’s diversity policy is that it is not based on setting targets for specific groups in the workforce, as this approach runs the risk of missing out on essential
learning. Rather, Volvo takes the approach of enhancing business effectiveness through broadening competence and deepening customer insight in the decision-making process:

‘You have the legal side, the equal opportunities, the human rights side … we had to follow the law, the legislation and so on. This axis is the business and you have to balance both of them.’ (listen to Britt Ålvsater-Thomasson)

This emphasis on the importance of diversity for improving the commercial position of the company highlights the way in which Volvo see diversity as an opportunity rather than simply as an obligation.

Volvo’s concept of diversity has three main themes:

- **Demographic diversity** – this embraces such population characteristics as age, cultural or ethnic origins, socio-economic status, gender, ability and sexual orientation.
- **Informational diversity** – this covers such issues as educational background, international experience, professional experience, industry experience and so on.
- **Values diversity** – this includes such concepts as life-style choices, motivation, personal values, and work-style preferences.

Diversity is given serious attention in Volvo’s Business Plan for 2008–2012. Specifically, it focuses on reflecting the diversity of Volvo’s customers in the sales organisation, both in dealerships and internally in the company. Key actions include the assessment of the current sales situation and the market potential and the consequent creation of market-specific plans.

Volvo has also committed to targeting sometimes overlooked customer groups in their marketing efforts as well as in the sales organisation. For example, if Volvo could increase sales to ethnic groups in the US from around 12% to 20%, then 14,000 more cars would be sold per annum.

**Barriers to implementing diversity management**

Volvo has encountered a number of difficulties in implementing its diversity management programme. For example, the HR function within an organisation may act as a potential barrier to the effective implementation of diversity management. Working solely through HR can result in inaction, because diversity is also an issue for line management and not for HR alone:

‘If you work through the HR community nothing will happen … and that is because this is a line manager’s issue, if you work through HR, HR isn’t skilled enough in business to understand the implications. So you have to work in several directions but you have to win the line manager’s … interest in the business case.’ (listen to Britt Ålvsater-Thomasson)

Another difficulty Volvo encountered was a lack of continuity of staffing in order to push the diversity agenda. While the company had employed a full-time staff member originally, when that person left the diversity work came to a halt. Even when somebody was later employed on a part-time basis, they were too low in the hierarchy of the organisation to be fully effective, even if they did manage to implement the equality directive.

**Outcomes**

A number of positive outcomes are evident as a result of implementing diversity management. More women have been appointed to top positions in the company as a result of focused activities related to gender in the company. Diversity has been aligned closely with the business plan, especially by the marketing department, a feature which is regarded as a real success factor:
‘The business plan, profitable growth, the marketing organisation has now aligned diversity when working with profitable growth. So that is really a success factor.’ (listen to Britt Älvsater-Thomasson)

Moreover, employee surveys in the company demonstrate that most employees are aware that both the company and their immediate working group are working to improve diversity practice.

Lessons learnt

A number of lessons were learned through Volvo’s experience of working with diversity. Potential pitfalls include the need to avoid gender polarisation and the underestimation of the power of legislation. In addition, implementing effective diversity management may call for changing power structures in an organisation and this issue needs to be explicitly addressed if success is to be achieved.

‘Stop polarising on gender … you have to be very careful when you do that. Don’t underestimate legislation, and don’t underestimate what will happen when you try to change power structures.’ (listen to Britt Älvsater-Thomasson)

Other important lessons concern the need to have top-level support and involvement in the programme, the need for continuity in staffing and the importance of the business case to both strategic and line management.

Next steps

In 2007 proposed actions on diversity include the preparation and creation of an inclusive culture that understands and embraces the possibilities of diversity. This to be achieved by integrating a diversity perspective into existing activities such as training, recruiting, product launches and test drives. In addition, five pilot studies will be carried out, looking at diversity processes in two markets. The conclusions of these will be used to inform diversity policy in Volvo Cars. A concerted effort will be then be made to mainstream diversity management in the organisation by improving its alignment with the overall business plan.
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