

WORKFORCE DIVERSITY AND ORGANIZATIONAL PERFORMANCE : A REVIEW OF LITERATURE AND AGENDA FOR FUTURE RESEARCH

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ABSTRACT

Diversity in work force is unavoidable. The impact of work force diversity on organizational performance is found to be both positive and negative. The diversity construct itself being complex, and the contextual and intervening variables having been largely ignored, further research is called for to understand diversity and its impact on organizational performance. Present article reviews the available literature on the subject and points to areas of further research.

Keywords : Diversity, Impact, Dimensions, Construct, Performance

Introduction :

'Workforce diversity' or 'Diversity' is the set of similarities and dissimilarities among the people (employees in organizations) in terms of gender, age, education, cultural background, race, religion, physical abilities, sexual orientation, language, perception and attitude etc.

In view of the globalization, multi-culturalism, and equality initiatives world over, the managers, employees, and the organizations will not only have to be more sensitive to diversity but also have such policies and programs that can help coping with the changes (Christian,2006). Diversity will evolve as more and more industries are added to the global marketplace (Weiliang et al,2011). While employing diverse work force is unavoidable, the real challenge is 'how to manage the diversity to organization's advantage'. Understanding diversity is also important from the legal perspective. While the Civil Rights Act (1964) in US prohibits discrimination on the grounds of race, colour, religion, sex, and national origin (age and disability were legislated after 1964), article 15 and of Indian constitution prohibits discrimination on the basis of religion, race, caste, sex or place of birth, and article 16

mandates equal opportunity in public employment.

Diversity may lead to variety of consequences for the teams and the organizations (Jackson et al,1995). It affects communication styles and inter-personal relations which in turn may affect employee performance (Burks and Barak, 2005). While it can improve group performance by providing a broader perspective and a wide variety of skills, it may be detrimental to group cohesion and performance due to inherent diversity of personal back grounds of the members (Milliken & Martins, 1996). Diversity is also important since more the perceived differences, more the mutual learning as observed by Opstal (2009).

Considering the varied findings about diversity and its impact on organizational performance in different contexts, it is more important now than ever before, especially in globalised business environment with increased use of teams and diverse workforce , to understand the dimensions of diversity and its impact on different aspects of performance for the organizations to be aware of ,appreciate, and value diversity and, accordingly design the diversity management initiatives. This article presents an all-round view of diversity with its dimensions, and impact of diversity on organizational

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performance

Aim :

To identify key concepts, theories, and models as applicable to different aspects of the topic with an aim of furthering the knowledge in this field through a thorough literature review. However, the guiding questions for this review article are as follows:

- A. What is work-force diversity and what are its different aspects / dimensions?
- B. What is the impact of work-force diversity on organizational performance

Method :

Method involves a review of literature about work-force diversity and its impact on organizational performance. The definitions of diversity, based on both theoretical and empirical research, were analysed to see inclusion, exclusion, and overlap of dimensions of diversity. The impact of diversity was studied to understand the dimensions likely to enhance or impede team performance. The articles published in last four decades were selected for this review research including those from theoretical as well as empirical literature.

Literature Review :

'Diversity' became a subject of interest both for practitioners and scholars in early 1990s. The first generation of diversity studies focused on the effect of diversity rather than studying the construct itself. It was pointed out by the scholars that the concept of diversity then lacked rigour, theoretical grounding and historical specificity (Nkomo and Cox,1996). Due to confusion over what constitutes diversity, they began with framing the concept itself. They defined diversity as a mixture of people with different group identities within the same social system. They emphasised that for advancement of theory and research, a critical review of diversity orientation is necessary. They further suggested that concept of diversity be reframed to advance its theoretical development.

Defining Work-force diversity : Diversity is that which differentiates one individual from another and one group of people from another along primary and secondary dimensions. Primary dimensions are those which exert primary influences on one's identity while secondary

dimensions are those which though are less visible, exert a more variable influence on personal identity and add a more subtle richness to the primary dimensions of diversity (Loden and Rosener,1991).

Dimensions of diversity : The definitions of diversity primarily differ in its dimensions. Here is a synthesis of dimensions of diversity as conceptualised by different researchers. Loden and Rosener (1991) described the dimensions of diversity with the help of 'diversity wheel' having two concentric circles in which the primary dimensions of diversity like gender, age, mental and physical abilities, characteristics, race, ethnic heritage, sexual orientation were shown in inner circle while the secondary dimensions like geographical location, education, work style, family status, communication style, organizational role and level, first language, income, work experience, and military experience. were shown in the outer circle. Harrison, Price and Bell (1998) called the primary dimensions as surface level dimensions and secondary dimensions deep level dimensions like attitude, and values. Similarly Mohammed and Angell (2004), also explained the diversity dimensions in two. Gardenswartz and Rowe (1998) described dimensions of diversity with a four layered wheel ; Layer1: Personality characteristics ;Layer2: Internal dimensions like age, gender, sexual orientation, physical ability, ethnicity, race ;Layer3: external dimensions - geographic location, income, personal and recreational habits, religion and spirituality, educational background, work experience, appearance, parental status, marital status ; and Layer4: Organizational dimensions-functional level classification, work content / field, division/department / unit/ group ,seniority , work location, union affiliation ,management status (The internal and external dimensions were adopted from Loden and Rosener,1991).

Rijamampianina and Carmichael (2005) proposed that diversity be redefined as the collective, all-encompassing mix of human differences and similarities along any given dimension. They explained the primary, secondary and tertiary dimensions of diversity with the help of an 'iceberg of diversity'(fig.1)

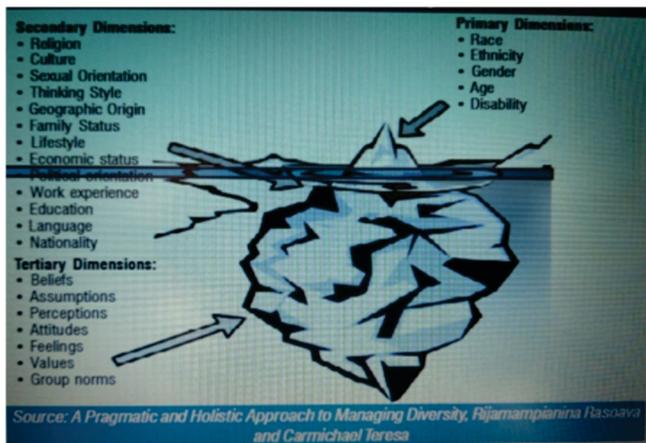


Figure 1: Diversity Iceberg

Why manage diversity :

Diversity management is defined as the systematic and planned commitment by the organization to recruit, reward and promote a heterogeneous mix of employees (Bagshaw, 2004). Managing diversity involves implementing such strategies that enable the diverse workforce to contribute to their maximum potential. However, the extent to which managers recognize diversity and its potential advantages and disadvantages defines organization's approach to managing the diversity (Price,1997). It remains a challenge to implement diversity in organizations due to lack of clarity about the functional and societal diversity in the literature resulting into lack of difference in organizational policies and programs. There are challenges associated with work force diversity like conflicts, communication gaps, and lower employee satisfaction. Diversity well managed can be a source of competitive advantage in terms of cost, human resource management and creativity & innovation, and system flexibility (Cox & Balke, 1991).

Impact of diversity on organizational performance

There is no consistency in the literature about impact of diversity on organizational performance. While some studies found that the diverse groups outperform the homogeneous groups (Nemeth, 1986; Jackson, 1992), other studies have shown that homogeneous groups avoid the poor communication while never ending conflicts found in diverse groups (Steiner, 1972; O'Reilly and Flatt, 1989). Harrison et al (1998) found that the group cohesion increases with the tenure of group members as the group members get opportunity to have

meaningful interaction while the surface level diversity disappears. Harrison, Price and Bell (1998) too found that the surface level diversity fades while the deep level diversity is strengthened with time. Alvarez et al (2006) found no impact of gender diversity on corporate financial performance. Allen (2007) found that perception of diversity is positively related to organizational performance at both managerial and non-managerial levels of employees. Weling et al (2011) found a significant positive correlation between gender, education, and ethnicity on organisational performance age was not found to have significant impact on it. Seth (2018) found that gender, regional, and religious diversity does not have significant impact on employee performance while age, educational qualification, tenure, and work experience diversity has significant impact on employee performance across the IT, telecom, and FMCG sectors. This finding is partially in line with Welianget al (2011).

Some researchers exclusively focused on top management team (TMT) diversity and its impact on firm performance. Roure and Keeley (1990) in Simons, Pelled, Smith, and Syracuse (1999) found that functional background diversity of top managers could predict financial performance of the firms but West and Schwenk (1996) did not find any relationship between TMT diversity and performance. The impact of educational diversity of TMT was found to have a positive association with financial performance of the firms but experience diversity was found to be negatively associated with it (Smith, Olian, Sims, O'Bannon, and Scully, 1994). Simons, Pelled, Smith, and Syracuse (1999) found that debate among the TMT members enhances the impact of job related diversity on decision comprehensiveness and thus firm's financial performance. Bantel & Jackson (1989) found that diversity in top management teams within bank branches was associated with greater innovation while Jackson et al (1991) found an association between diversity and higher turn over rate in the TMT.

Conclusion and scope for future Research :

Due to inconsistent findings about diversity and its impact on organizational performance, it is important to

understand how organizations produce and reproduce diversity in social groups (Nkomo and Cox,1996). A more complex conceptualization of diversity incorporating the contextual variables (i.e. task and organizational characteristics), types of diversity (informational and demographic), and intervening variables (e.g. communication and conflict) is needed (Williams and O'Reilly's,1998). Research should be

conducted to understand the social construction of diversity as it exists in the organizations. The researchers should also expand their methodologies to include ethnographical approaches. Considering the complex nature of the construct of diversity and its impact on performance of the organizations, the researcher proposes the conceptual model shown in figure 2 for undertaking further research.

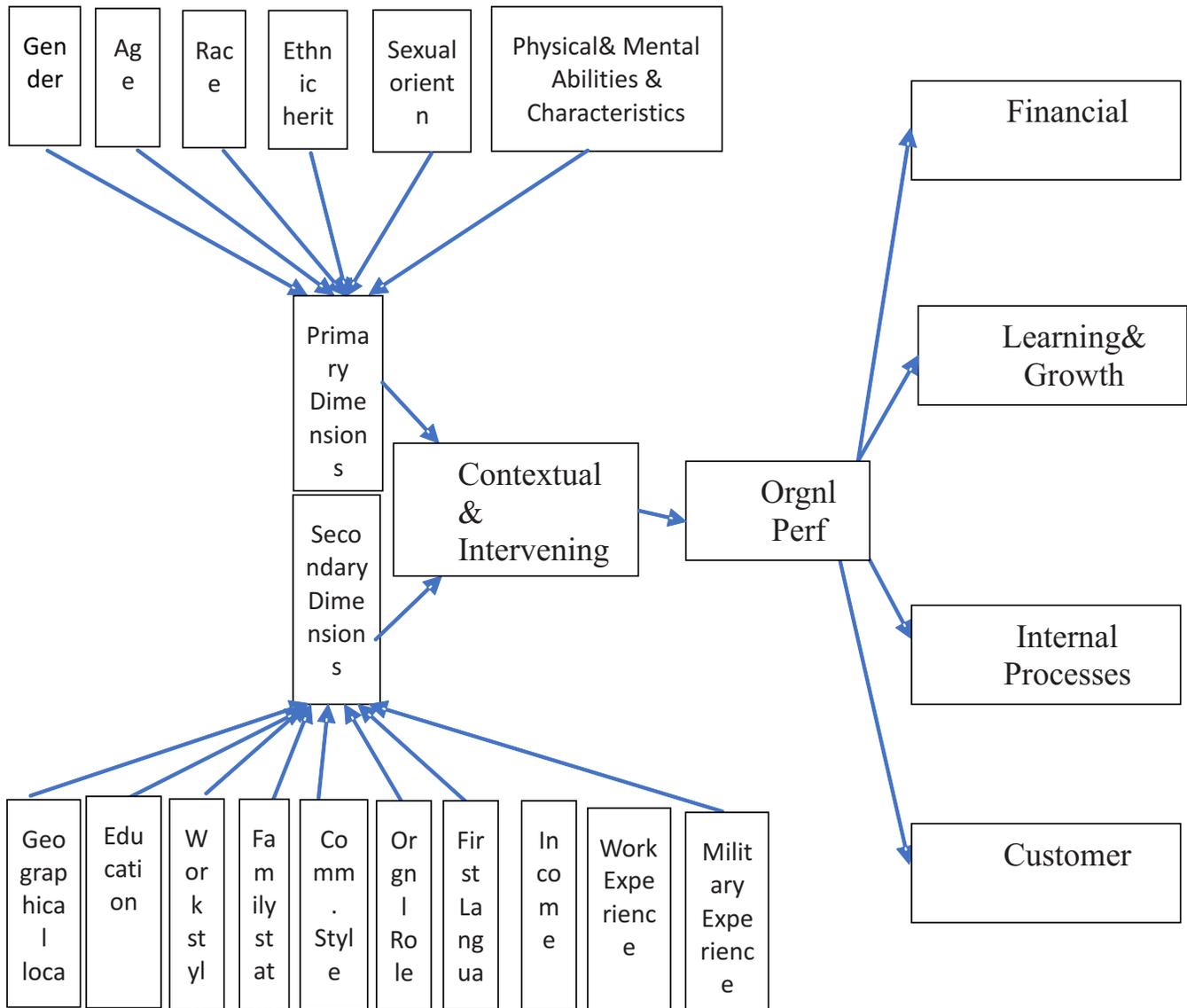


Fig2: Conceptual Model to Study Impact of Diversity on Organizational Performance

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