Workforce Diversityand Organizational performance

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ABSTRACT : *In the past twenty years the growing diverse work force in organizations has led scholars to pay increased attention to this issue. Organizations will be successful only to the extent that they are able to embrace & encourage work force diversity. This study explores by reviewing recent literature the increasing influence of the work force diversity and its relationship with organizational performance. The study finds that different aspect of diversity has different relationship with performance. Overall workforce diversity enhances better decision- making, higher creativity, innovation, greater success in marketing, better distribution of economic opportunity & competitive advantage. Moreover, the study also reveals that senior management accountability, need assessment, better strategy, efficient communication, team building & evaluation act as mediators between work force diversity & performance. The study may be useful for the organizations having diverse workforce by managing them effectively for the achievement of organizational goals.*

KEYWORDS: *workforce diversity, mediators, organizational performance*

I.   INTRODUCTION

With the increased globalization & competition the work force in all industrialized countries has become increasingly heterogeneous. Advances in technology and the advent of a global economy have brought the people of the world at the same place closer to each other. Businesses, educational systems and other entities are investigating ways to better serve their constituents &to attract and retain the best and most qualified workers. It has become a challenge for modern organizations to efficiently manage such a diverse work force. The world's increasing globalization requires more interaction among people from diverse cultures, beliefs, and backgrounds than ever before. People no longer live and work in an insular marketplace; they are now part of a worldwide economy with competition coming from nearly every continent. For this reason profit and non-profit organizations need diversity to become more creative and open to change. Maximizing and capitalizing on workplace diversity has become an important issue for management today. According to a study facilitated by the Society for Human Resource Management (SHRM) and Fortune magazine (2001), more than 75% of surveyed organizations have engaged in some type of diversity activity or initiative. Obviously it is important to understand how work group composition influences team performance. It is still controversial to find an answer to whether work force diversity has a negative or positive impact on organizational performance. Research related to diversity practice's impact on organizational performance remains lacking. However researches on work force diversity & its impact on performance claims that work force diversity is intrinsically good for organizations. (Dessler, 2000; Rice, 1994; Sheridan, 1992). While others found no direct relationship between workforce diversity & performance and it can be increased through organizational strategy, top level commitment, evaluation, efficient communication, need assessment & team building. It is also argued that organizations that value diversity will definitely cultivate success & have a future in this dynamic labour market.(Jain & verma,1996).As Friedman & Amoo,2002, noted that the collective knowledge of organizations can be enhanced by including people with different experiences, training, racial & cultural differences. The main purpose of this study is to review the existing literature on workforce diversity and performance. Various factors that enhance the relationship between workforce diversity & performance as mediators are also explored. Age, gender & ethnicity are taken as the dimensions of diversity.

1.1. WORKFORCE DIVERSITY & BUSINESS PERFORMANCE

Diversity is generally defined as acknowledging, understanding, accepting, valuing & celebrating differences among people with respect to age, class, and ethnicity, and gender, physical &mental ability. Over the past decade the work force in industrialized countries has become increasingly heterogeneous. These countries are spending huge amount for diversifying the workforce. Thus, diversity is increasingly recognized & utilized as an important organizational resource in regards to whether the goal is to be an employer of choice to provide an excellent customer service or to maintain a competitive edge.(Weiliang et al, 2011). According to Dahm (2003), diversity within an organization can evoke an array of emotions. Many researchers view diversity as something to be dealt with rather than a tool to be used to improve the organizations. Even though many researchers agree that the results of diversity conscious organizations add value to their performance.

Researches on the effects of within teams & small groups indicate that diversity can have both positive and negative effects. Okoro & Washington, 2012, found that domestic & global organizations are now designed to create products for their diverse customers & to ensure that there are benefits for their diverse stake holders. Thus, it is important to understand the importance of workforce diversity in achieving the objectives of organizations. Studies of recent years (Weaver, 2001; Crosette, 2001; Lewis, 2002 ;) shows that there is diversity in the work place & organizations' results.

1.2. ETHINIC DIVERSITY & ORGANIZATIONAL PERFORMANCE

Ethnic diversity implies diversity in languages, religions, races & cultures (Alesina & La Ferrara, 2005). The growth of ethnicity was the focus of 90's &it is still gaining more momentum (Zgourides, Johnson & Watson (2002); Milliken & Martins, 1996; Nemetz & Christensen, 1996). There has been an increase in multicultural workforce in the organizations for utilizing greater participation & synergy to improve & increase both employee satisfaction & business performance. This increase is due to multicultural increase of our society. Ethnic diversity is highly relevant in an increasingly globalized world. It is a current fact of life. A moderate level of ethnic diversity has no effect on team performance in terms of business outcomes i.e. sales, profit, & market share. However if atleast the majority of team members is ethnically diverse, then more ethnic diversity has a positive impact on performance.(Sander Hoogendoorn, Mirjam van Praag, 2012). Ehimare & Oghene, 2011 empirically explored that ethnicity is insignificantly negative in its relationship to both employee productivity and performance. Ethnic diversity would benefit team performance due to a more diverse pool of skills and knowledge that leads to complementary and mutual learning. For example, due to complementarities and learning opportunities, ethnically diverse teams are associated with more creativity and innovation (Alesina and La Ferrara, 2005; Lee and Nathan, 2011; Ozgen et al., 2011b). On the other hand, the costs associated with more ethnic diversity would be related to more difficult communication and coordination (Lazear, 1999; Morgan and Vardy, 2009).1 All in all, ethnic diversity is an influential source of heterogeneity. Ethnically diverse teams working in relatively homogeneous organizations experienced performance deficits relative to the more homogeneous teams (Joshi and Jackson, 2003).According to Timmermans et al., (2011) study, ethnicity can be used as a proxy for cultural background and diversity in ethnicity can be expected to be positive for innovative performance, since it broadens the viewpoints and perspective in the firm (Richard, 2000). Moreover, based on Timmermans et al. (2011) study some levels of diversity in ethnicity might be positive associated with innovation, high degree of diversity in ethnicity might be negative since it can create conflict and cliques due to social categorization (Dahlin, 2005). Based on the literature review we proposed that
P1: A moderate level of ethnically diverse workforce has a positive impact on organizational performance in terms of innovation, productivity, sales & market share .

1.3.AGE DIVERSITY & ORGANIZATIONAL PERFORMANCE

Gellner and Veen,(2009) found that age heterogeneity on its own has a negative effect on individual productivity. Moreover, in the case of routine tasks, there are no substantial gains from age heterogeneity that could offset the increasing costs resulting from greater age heterogeneity. Thus, in companies with routine types of work, increasing age heterogeneity overall leads to a decline in productivity. The researchers also stated the western findings suggested that the older and younger employees must come together to form coherent and viable corporate culture. These values possessed by different age groups can complement each other in companies and it tends to achieve better firm performance. In her study result, showed that different age groups provide different values for companies and these values can complement each other which improve companies" performance (Winnie, 2008). A review of the literature on age and work shows a clear theoretical emphasis on negative predictions. (DeArmond et al., 2006; Maurer & Rafuse, 2001, Ostroff, Atwater, & Feinberg, 2004, Perry, Kulik, & Zhou, 1999; Shore, Cleveland, & Goldberg, 2003, Perry & Finkelstein, 1999, Barnes-Farrell, Rumery, & Swody, 2002; Maurer, Weiss, & Barbeite, 2003; Shore et al.2003). Unlike race or gender diversity, organizations rarely undertake initiatives to increase age diversity. Traditional age distributions within organizational structures (younger at the bottom and older in the middle and top) were derived from hiring employees at a young age and retaining them through most of their working. The research on age diversity is much less developed than that on race and gender, suggesting the need for new paradigms and new approaches to studying age in the work setting. The majority of research has been conducted in a Western setting, and as pointed out by Joshi and Roh (2007). Based on the literature we propose that
P2: age diversity has a negative relationship with performance.

1.4. GENDER DIVERSITY & BUSINESS PERFORMANCE

The increase in workforce gender diversity on work place has attracted the attention of both researchers and practitioners. In the early 1990s, both scholars and practitioners were generally optimistic about the effects of workforce diversity on performance. For example, Cox and Blake (1991) argued that diversity can result

competitive advantage for organizations. However, theories and empirical research suggest that diversity can lead to either positive or negative outcomes. The resource-based view of the firm (Barney 1991) suggests that there is a positive relation between diversity & performance, whereas social identity theory (Tajfel 1978) suggests a negative diversity-performance relationship. Further, empirical research has found inconsistent results suggesting that diversity can be either good or bad for businesses. Svyantek and Bott (2004) reviewed nine diversity studies (published during 1989-2003) investigating the gender diversity-performance relationship. Four studies found no main effects, two studies found positive effect; two studies found negative effects, and one study found a nonlinear effect. The body of literature on diversity produces contradictory results for practitioners & scholars about whether gender diversity is good for businesses. The mixed results suggest the value of focusing on competing predictions (Armstrong, Brodie & Parsons 2001) including nonlinear predictions (Ho 2003). Gender-based inequities in organizations are reinforced and justified by stereotypes and biases that describe positive characteristics and therefore a higher status to the males (Leonard and Levine, 2003; Nkomo, 1992). Kossek, Lobel, and Brown (2005) states only 54% of Working age women are in the workforce worldwide compared to 80% of men. Furthermore, women continue to have the upper hand on the "invisible care" economy, which relates to care giving and domestic work. The findings of the research conducted by Welliang et.al.(2012) showed that gender group and employee performance is positively linked. Ali et.al. (2000) found that high levels of gender diversity are a source of competitive advantage, while moderate levels of gender diversity provide a competitive disadvantage. P3: depends upon the higher or moderate level of gender diversity, organizations can have either positive or negative results.
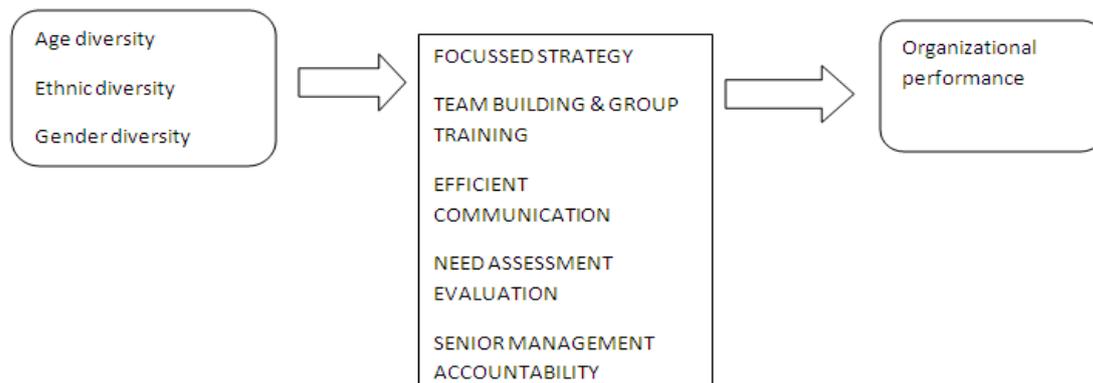
II.   MEDIATORS BETWEEN WORKFORCE DIVERSITY & PERFORMANCE LINK

Cadrain (2008) discusses why companies are embracing diversity and argues that encouraging diversity is a positive motivational tool that can attract and retain the best employees as well as increase the level of organizational competitiveness .Success of any organizations relies on the ability to manage a diverse workforce that can bring innovative ideas, perspectives and views to their work. The challenge of workplace diversity can be turned into a strategic organizational asset if an organization is able to capitalize diverse talents. With the mixture of talents of diverse cultural backgrounds, genders, ages and lifestyles, an organization can respond to business opportunities more rapidly and creatively (Cox, 1993). Companies can succeed at diversity if the initiative that create, manage and value the diverse workforce has the full support of the top management (Hayes, 1999;).Many of these business organizations have identified the significance of maintaining a workforce that truly reflects the diverse nature of the contemporary society of the twenty-first century1992. A key element of any successful organizational intervention is senior management commitment to the intervention. Diversity is no different. Because organizational barriers to diversity are often systemic, subtle, and deeply ingrained in the organization Lyness, 2002), (leveraging diversity for the benefit of the organization. Diversity interventions
means change for the organization, and visible, active, and ongoing senior management involvement and commitment are critical to the change effort requires ongoing and consistent leadership. Success also requires that line management, as opposed to human resources, own the diversity strategy and hold managers accountable for leveraging diversity. Practitioners and researchers point to education and communication as the key for corporations to transform the behaviour of their employees toward embracing and accepting diversity. In addition, a diverse workforce that effectively communicates can take advantage of the strengths, talents, and differences in the workplace by eliminating communication barriers and developing their employees to their fullest potential (DeVeale & Manea, 2007), increasing productivity, facilitating innovation, and enabling the resolution of problems (Davis,2000), allowing better service to diverse customers (Thomas & Ely, 1996), and taking advantage of the opportunity to enhance their future growth and development for a competitive advantage (Roberson & Park, 2007). As stated by Thakur & Singh (2011) perceptual, culture and language barriers need not be overcome for diversity program to succeed ineffective communication of key objective result in confusion lack of team work and low morale. To be effective, a diversity initiative must be tailored to the situation, including the culture and unique business and people issues facing the organization.

A thorough need assessment of the people, jobs, and organization ensures that issues related to diversity are framed accurately and that the right interventions are identified. Further the needs assessment will help an organization navigate the wide range of offerings Organizations and researcher have posited several potential competitive advantages of diversity including enabling organization for the best talent competing more effectively in the marketplace by understanding the demands of diverse customer base, enhancing the creativity and problem-solving effectiveness of work teams, and reducing costs associated with turnover, absenteeism, and lack of productivity (Cox & Blake,1991). and pick those interventions that best address organization (Jayne and Dipboye, 2004). Tying the diversity strategy to business results in a realistic way is the foundation of a successful diversity initiative. Martins, 1996; Williams & O'Reilly (1998) suggest diversity efforts can support and contribute to an organizational growth strategy and reinforces the importance of linking diversity

initiatives directly to the business strategy. While the Richard (2000) study offers support that diversity has a positive impact on firm performance, it is important to keep in mind that this benefit appears to emerge only in certain contexts. Therefore, when framing the business case for diversity, it is important to clearly articulate how diversity supports the business strategy of the organization. Workplace diversity generally impacts organizational-level outcomes indirectly through effects that begin at the individual level (Rynes & Rosen 1995). Diversity training is the most prevalent individual-level intervention (SHRM diversity surveys, 1998, 2000, 2002). Using a survey of SHRM members, Rynes and Rosen (1995) published one of the few refereed studies on the effectiveness of diversity training. While 75% of respondents' state trainees leave diversity training with positive diversity attitudes, only 9% believed trainees enter with favourable attitudes. In order for the program to run successfully, it is wise to provide practical training for these managers or seek help from consultants and Experts in this field. Usually, such a program will encourage organization's members to air their opinions and learn how to resolve conflicts due to their diversity.

It will enhance organizational effectiveness which in turn increases performance. Ragins, Cotton and Miller (2000) conducted a mail survey on mentoring. The study showed that satisfaction with a mentoring relationship was a stronger influence on career attitudes such as commitment, job satisfaction, intention to turnover, and perception of organizational justice. Further diverse groups teams perform better over time, largely because time allows these teams to develop a deeper-level, interpersonal understanding beyond demographic characteristics (Harrison et al., 1998; Pelled, Eisenhardt, & Xin, 1999). Thus, team building & group training of diverse workforce can enhance their commitment towards a common goal. In order to enhance organizational performance it is important to establish a formal measurement to serve as a baseline for the current climate for diversity (Cox, 2001). Thus according to the findings based on the review of literature we propose that
p4: focussed strategy, team building & group training, efficient communication, need assessment & evaluation are the mediating factors between work force diversity & organizational performance.

Based on the theoretical review we proposed a conceptual model that shows the factors mediating work force strategy & performance link.

III.   CONCLUSION AND IMPLICATIONS

Successful organizations are becoming more adaptable, resilient, quick to change directions, and customer centred. These organizations are hiring more diverse workforce to withstand global challenges & to face extensive competition. The diverse workforce is providing a challenge to the organizations. It is very important to know the impact of workforce diversity on organizational performance. The study reviews the literature on workforce diversity & performance link. We find that different dimensions have a different relation with performance. Age diversity has a negative impact on organizational performance. Ethnic diversity has a positive impact on sales, productivity, market share,& innovativeness. Gender diversity can have either positive or negative impact on organizational performance. The study shows that moderate level of gender diversity has increases competitive advantage while higher level of gender diversity in organizations has a negative impact on organizational performance. Focussed and successful diversity strategy must address organizational culture change to create a work environment that nurtures teamwork, participation and cohesiveness which positively impact performance. Team building & group training enhances mutual cooperation, reduces role conflicts& increases sharing among the diverse work force. Moreover efficient communication enhances information sharing among employees which increases organizational effectiveness. Further evaluation programmes are important in the organizational system to serve as a base line for current climate for diversity.

These factors act as a mediating link between workforce diversity & performance. The study also finds that senior management is responsible for the successful handling of diverse workforce for achieving better performance. From the managerial point of view the study provides insight towards three dimensions of diversity and their impact on the organizational performance. Also managers can direct the diversity towards productive directions through the mediating factors.

IV. LIMITATIONS & FUTURE RESEARCH

The research does not consider the other dimensions of diversity like physical ability, sexual orientation, educational background, marital status, geographic location & work experience. Moreover the study is based on theoretical point of view. Future study must consider these dimensions of work force diversity and their impact on performance. Also the results should be tested empirically.It must be clear that increased diverse workforce creates problems of conflicts, dissatisfaction etc. Also diversity does not always yield positive results even after using several factors. Effectively managed workforce can yield huge positive results and this research has provided some insights that can help management to avoid the problems of diversity.

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