

## DOES EMPLOYEES' DIVERSITY AFFECT ORGANIZATIONAL PERFORMANCE? A REVIEW OF PAPERS

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**Accepted date:** 21-11-2018

**Published date:** 14-03-2019

**To cite this document:** Gan & Halimah (2019). Does employees' diversity affect organizational performance? A review papers. *International Journal of Modern Trends in Business Research (IJMTBR)*, 2 (6), 36 - 42.

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**Abstract:** Nowadays, many organizations have been relying on group or team work to achieve organizational goals. In a group or team, the employees are diverse due to different background, such as education level, gender, races, as well as ages. Although group members might be diverse, an effective group could be developed by sharing mutual objectives and visions to reach optimum results in organizations. Employees' diversity has been a human resource challenge that could not be avoided. It is known as a challenge in human resource field because employees with different backgrounds could have different ways in dealing matters in organizations. The differences or diversity among employees could be a barrier in the process of task accomplishment. Hence, the understanding of the linkage between employees' diversity and organizational performance is essential in the literature of human resource management. However, it was claimed that the direct linkage between employees' diversity and organizational performance has been questioned and remained unclear. Hence, the past studies that investigated the relationship between employees' diversity and organizational performance among employees are important for this review paper. This review writing involved the articles that are ranged from 2008 to 2018, which is a decade. From the past studies, it was found that the relationship between employees' diversity and organizational performance among employees is inconsistent. Some studies revealed significant relationship, while other studies claimed that there is non-significant relationship between the variables. The inconsistency of findings has caused ambiguity to the linkage between the variables. Due to the inconsistency of findings, it is recommended that future studies should conduct more studies about the relationship between employees' diversity and organizational performance among corporate personnel. Future studies are also suggested to conduct their studies in longitudinal form in order to capture the trend of changes throughout their research.

**Keywords:** Diversity, Organizational Performance, Review Paper, Diverse Employees

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## **Introduction**

Nowadays, the workforce has become diverse due to the different backgrounds of employees, such as different nationalities, ethnics, abilities, skills, personalities, as well as knowledge (Ejikeme & Ebubechukwu, 2018). Organizations have been gradually implementing team work arrangements that consist of different backgrounds among employees (Knippenberg & Schippers, 2007). This phenomenon could be seen when organizations have been depending on several types of group work, for example project teams, and focus groups (Ejikeme & Ebubechukwu, 2018). Effective business should have acknowledged that labour diversity has become a business conduct (Childs, 2005). In order to be a sustainable and competitive organization, worldwide organizations have been initiated to pay attention on the diversity concept (Süß and Kleiner, 2007). The understanding of the effect of employees' diversity on organizational performance should be gained (Childs, 2005). It was claimed that the significant influence of diversity on organizational performance could not be overlooked in this century because its influence has become a major priority in organizations (Cho, Kim, & Mor Barak, 2017). The issue of diversity should be concerned because organizations, especially group-based organizations, need to ensure that diverse employees are well blended in order to improve the organizational performance (Ejikeme & Ebubechukwu, 2018). Diverse employees could consist of different cultural backgrounds, as well as different educational backgrounds, which make diverse employees think differently (Ejikeme & Ebubechukwu, 2018). It should be noted that the differences could be challenging for an organization. When employees' diversity is well managed, many opportunities might be created in organizations (Ugwuzor, 2014). In contrast, issues or challenges could be happened if workforce diversity is not well managed. This is supported by Farrer (2004), where the scholar mentioned that solely embracing diversity could not help organizations to achieve success, organizations need to manage it well.

Recently, the scholars of human resource management field have been putting much effort to investigate the linkage between terms of diversity and organizational performance (Triguero-Sánchez, Peña-Vinces, & Guillen, 2018). However, Triguero-Sánchez et al. (2018) claimed that, although many studies have been conducted to examine the effects of diversity on organizational performance, the effect of diversity has not reached agreement in the literature. Triguero-sánchez, Peña-Vinces and Sánchez-Apellániz (2011) mentioned that the effect of diversity types was not explained. The effects of diversity are yet to be confirmed because it was claimed that the linkage between diversity and organizational performance is theoretically complex (Badal & Harter, 2014). Besides, it was argued that previous diversity researches did not successfully indicate consistent findings on the linkage between diversity and performance (Valls, Gonzalez-Roma, & Tomas, 2016). Based on the issues above, it was highlighted that the linkage between diversity and performance has been questioned (Triguero-Sánchez et al., 2018). Hence, due to the problem statement, the authors intended to review the relationship between employees' diversity and organizational performance in the past decade (2008-2018).

## **Literature Review**

This section explains the definitions and concepts of each variable, namely employees' diversity and organizational performance.

### ***Definition of Employees' Diversity***

Diversity is defined in several ways. There are scholars mentioned that diversity is related to demographic, or diversity of surface-level, which includes ethnicity, age, working experience, religion, and genders (Owoyemi, Elegbede & Gbajumo-Sheriff, 2011). While, another scholar argued that diversity exists in terms of deeper level, which consists of personality, attitudes, and values (Jehn, & Kanutto, 2003). Due to the differences of background, diversity is defined

as the dissimilarities among people which help to recognize that an individual is different from another (Williams & O'Reilly, 1998). O'Flynn et al. (2001) explained that, diversity is defined as apprehending the dissimilarities in both unobservable and observable individualities, which includes mental ability, physical abilities, values, attitudes, social status, economic status, and genders. Similarly, Kundu (2001) explained that employees' diversity is defined as the existence of individuals with different culture, races, social, and ethnic background in an organization. Besides, diversity is also described as the differences of perception between the people (Ragins & Gonzalez, 2003).

### ***Definition of Organizational Performance***

According to Hancott (2005), organizational performance has been defined based on several indicators, such as rate of profit growth, return of shareholders, and the development of market share. Som (2008) described that, organizational performance can be related to few perspectives of organization, which includes customer service satisfaction, return of investment, quality, profits, and productivity. According to Hult et al. (2008), organizational performance is described as how far objectives are accomplished, which includes overall effectiveness, operational performance, and financial performance of organizations. Robbins and Coulter (2002) described organizational performance as the effectiveness and efficiency of objectives accomplishment. While, Anderson (2006) argued that, organizational performance is defined as the rate of profits when organization's goals are achieved. Besides profits, Schermerhorn et al. (2002) described organizational performance as the amount and excellence of each employee or team work accomplishment.

### **Methodology**

In this review paper, the methodology that adopted was named literature searching and reviewing, where the discussions or debates about employees' diversity and organizational performance were reviewed and compared during the process of writing. The objective of this review paper was to determine the differences of linkage between employees' diversity and organizational performance among different backgrounds of respondents. It was mentioned that the relationship between employees' diversity and performance has been contradictory and inconsistent in the past 10 years (Shaban, 2016). Hence, the authors reviewed the empirical research papers which are ranged between the years of 2008 to 2018. In order to obtain reliable and high quality papers, the articles were comprehensively searched through several databases, such as Scopus, Elsevier, and Google Scholar. Besides, four exclusions were determined in order to collect the papers that are suitable for this review paper. Firstly, the authors excluded non-empirical papers, such as theoretical papers. The authors included only empirical papers that provided results of studies, such as case studies, field studies, and surveys. Secondly, we excluded those studies that did not provide the values of reliability and validity of instruments. Without valid information of instruments, it can affect the validity of findings. Third, we excluded those studies that examined diversity among student samples. It was claimed that student samples and personnel samples are significantly different in research. Next, we excluded those irrelevant variables. The authors focused on the selected variables in this review paper only, which are employees' diversity and organizational performance.

### **Findings**

After reviewing the past studies ranged from 2008 to 2018, it was found that there are few past studies that examined the relationship between employees' diversity and organizational performance. Employees' diversity is able to influence organizational performance among employees, where it was revealed that employees' diversity has significant linkage with organizational performance (Boone & Hendriks, 2009). The scholars measured diversity as

functional-background diversity, where this type of diversity could help to improve organizational performance. While, Choi and Rainey (2010) measured diversity in terms of demographic diversity, which included age, races, and genders. The scholar revealed the consistent finding, where there is a significant relationship between diversity and organizational performance. The finding is consistent with another study that was conducted by Kunze, Boehm, and Bruch (2011). The scholars measured diversity in terms of demographic diversity as well. With similar dimension of diversity, Kunze et al. (2011) revealed the similar findings, where there is significant linkage between the variables among the respondents. This suggests that, similar dimensions of variables could contribute to the similarities of findings.

Inconsistently, another study that was conducted by Julizaerma and Zulkarnain (2012) revealed that, diversity did not have significant relationship with organizational performance. The scholars measured organizational performance in forms of return of investment (ROI). It was found that diversity did not have significant relationship with ROI. Similarly, another study showed that there is no significant linkage between diversity and organizational performance (Valls et al., 2016). However, although there are studies agreed there is non-significant relationship between diversity and organizational performance, Van De Ven, Rogers, Bechara, and Sun (2008) revealed different finding, where there is significant relationship between diversity and organizational performance. The scholars measured organizational performance as profitability, productivity, and customers' satisfaction in their study. Hence, it can be claimed that employees' diversity could help to enhance the organization's profits, productivity, and stakeholders' satisfaction. Similarly, Munjuri and Maina (2013) revealed that there is significant relationship between diversity and organizational performance. The difference between these studies could be due to different dimensions of organizational performance. Besides, although Valls et al. (2016) as well as Munjuri and Maina (2013) conducted their studies at the similar sector (banking sector), they revealed different findings on the relationship between the variables. Hence, it could be seen that, similar sector might not bring the similar result on the relationship.

Other than that, it was also found that there is significant relationship between the variables (Badal & Harter, 2014). Contradictory with previous studies, both dimensions of organizational performance (net profit and comparable revenue) were significantly influenced by employees' diversity in the study. Followed by next study, Ali (2016) measured diversity among non-management staff and management staff. While, as for organizational performance, Ali (2016) measured it in terms of productivity and market performance. The scholar revealed that, non-management staff's diversity did not significantly influence market performance, but significantly influence productivity. As for the diversity of management staff, the diversity significantly influence market performance, but insignificantly influence productivity. On the other hand, another study which was conducted by Triguero-Sánchez et al. (2018) revealed that there is no significant relationship between diversity and organizational performance. Contradictorily, Ejikeme and Ebubechukwu (2018) reported that diversity of employees could affect organizational performance. The finding was similar with another study which was conducted by Cho et al. (2017), where the scholars mentioned that there is a significant relationship between the variables. To conclude, it can be clearly seen that the relationship between employees' diversity and organizational performance is remained uncertain due to the findings of relationships are inconsistent. Below is the table of the summary of findings.

**Table 1: Summary of Findings**

| No. | Authors (Year)                              | Respondents   | Findings   |
|-----|---|---|--|
| 1.  | Van De Ven, Rogers, Bechara, and Sun (2008) | Nurses from 37 clinics owned by Minnesota Healthcare Organization             | Significant  |
| 2.  | Boone and Hendriks (2009)                   | Employees from 33 information technology firms                                | Significant  |
| 3.  | Choi and Rainey (2010)                      | Employees from 67 sub-agencies under Federal Human Capital Survey             | Significant  |
| 4.  | Kunze, Boehm, and Bruch (2011)              | 8,651 employees from SME companies in Germany                                 | Significant  |
| 5.  | Julizaerma and Zulkarnain (2012)            | 280 employees from companies listed in Main Market                            | Non-significant  |
| 6.  | Munjuri and Maina (2013)                    | 120 employees from Kenya banks  | Significant  |
| 7.  | Badal and Harter (2014)                     | 284 employees from US electronic retail stores                                | Significant  |
| 8.  | Valls et al., 2016                          | Employees from 57 Spain banking sector  | Non-significant  |
| 9.  | Ali (2016)                                  | 168 non-management staffs, and 169 management staffs from Australia companies | Non-significant (Non-management); Significant (Management) |
| 10. | Cho et al. (2017)                           | 14 employees from social enterprise sector in California                      | Significant  |
| 11. | Triguero-Sánchez et al. (2018)              | Employees from 102 Spanish firms  | Non-significant  |
| 12. | Ejikeme and Ebubechukwu (2018)              | 100 respondents from five Nigerian manufacturing sector                       | Significant  |

Source: The Authors.

### Conclusion

To conclude, this review paper summarized the relationship between employees' diversity and organizational performance by revealing the trend of linkage from 2008 to 2018. It is clear that the linkage between employees' diversity and organizational performance is remained ambiguous and inconsistent. It can be seen that some of the scholars mentioned that there is significant linkage between the variables, while some of the scholars did not find any significant relationship between employees' diversity and organizational performance. The results differs from one context to another. In order to improve the inconsistency of findings, future studies are recommended to examine employees' diversity dimensions specifically. Especially the types of diversity, it is crucial to examine the differences among the types of diversity in organizations. Besides, it is recommended to conduct future studies in different industries in order to confirm the linkage between the variables. From the findings, it can be seen that most of the studies were conducted in cross-sectional design, hence calling for more future studies that can be conducted in longitudinal design to capture the trend of changes. It is suggested that human resource practitioners of organizations should put effort in managing diversity among employees, which in turn improving organizations' performance. It should be cautioned that, improper diversity management could put organizations in danger.

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