

Organizations workforce diversity and its competitive advantage commerce essay



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The purpose of this paper is to examine the effect of leadership style over the relationship between organization's workforce diversity and its competitive advantage with mission and vision statements as intervening variable. Most organizations are adopting " diversity" into their policies and procedures to embrace its benefits and there is a growing recognition that it makes business sense to take diversity seriously. The demographics of working population has changed in last two decades with more mature workforce remaining in the workplace, now more female employees are seen in higher positions and there is also a variation in cultural backgrounds. Therefore, it seems beneficial for organizations to hire diverse workforce to meet the demands of customer expectations. Organizations that are flexible and responsive to a demanding marketplace require the service of multi-skilled, adaptable workforce. One clear " competitive advantage" for organizations having diverse workforce is that it provides an environment that values differences among employees and encourages them for different ways of thinking and behaving during work to fully contribute to organizational aims and objectives. Employers providing such an environment get the support of their employees and develop a positive public image. It must be understood that each member of diverse workforce holds his differences and similarities; hence, valuing and managing diversity is about recognizing the unique contribution each employee can make to the organization. It is about creating an environment in which everyone feels valued, welcomed, and able to make an important contribution toward the attainment of corporate objectives. Additionally, companies facing challenges in competing global marketplace for market share can use diversity as " competitive advantage" in a multicultural environment with a <https://assignbuster.com/organizations-workforce-diversity-and-its-competitive-advantage-commerce-essay/>

diverse pool of talented and experienced individuals who can bring innovation and creativity to the organization.

Literature Review

Diversity is not only associated to limited attributes that can be observed but also to those invisible characteristics such as differences in educational background, creativity, understanding, learning style, and problem-solving ability (Nafukho et al., 2011). So, organizational performances and processes can be influenced by an individual or a group representing different categories of diversity within a workplace. (van Knippenberg and Schippers, 2007). Diversity is defined as “ any dimension that can be used to differentiate groups and people from one another” (Giovannini, 2004, p. 22). Hence, diversity affects the organizations effectiveness and performance in terms of competitive advantage. (Joshi and Roh, 2009; Klein et al., 2011). This presumes that performance has a relation with organization’s ability to achieve goals with respect to its mission or vision (Devine and Philips, 2001). In other words, performance is deemed as an outcome which is a result of some purposeful activity to achieve competitive advantage as mentioned in mission or vision statements of an organization. (Swanson and Holton, 2009). As the organization strives to achieve its goals or objectives, conflict may arise within the diverse groups to cope up the challenges of differences among them which keep them from achieving organizational performance. (Østergaard et al., 2011). Since, Human Resource Department (HRD) deals primarily with performance of individuals, groups and organization at large to achieve competitive advantage, so diverse workforce demands the attention of HRD scholars and practitioners on the issues that arise in organization. It

can be observed in modern trends for companies to use diverse workforce for completing special tasks which help achieve competitive advantage (Garrison et al., 2010) and there is always potential for the occurrence of conflict among such diverse groups which can derail the organization from achieving effectiveness. Hence, it becomes the responsibility of HRD to address such conflicts in advance and use the knowledge of how to build the high performing and productive teams of diverse workforce who can to the overall competitive advantage of organization (Klein et al., 2011).

Evidently, most companies find diversity as a way to increase business competency, to improve net income, to gain “ competitive advantage”, to build the effectiveness to compete in global markets, to improve business performance, to achieve higher employee satisfaction, to enhance corporate governance, to attract diverse talents and skills and to retain the workforce that maintains the customer base (McCuiston et al., 2004). Moreover, culturally diverse workforce brings benefits to business economy (Ferley et al., 2003) and leads to better performance of the business (Richard, 2000). According to Adler (1997), a company with a diverse workforce has greater chances for building an innovative working environment. This statement is beautifully expressed in the words of White (1999), who states that creativity thrives on diversity. These benefits can be derived from the proper implementation of diversity-promoting policies (Jamrog, 2002). Many firms today seem to be increasingly embracing racial, ethnic and gender workforce balance, not for legal or ethical obligations, but as a matter of taking a progressive perspective on economic self-interest (Coil and Rice, 1993).

It has been recognized recently that increasing diverse workforce has presented both opportunities and challenges for organizations which are striving for efficiency, innovativeness and global competitive advantage (Barak, 1999). As the global markets are getting more complex, utilization of organization's knowledge, skills and abilities is getting even more crucial in this rapidly increasing competition where organizations want to be more creative and innovative (Ng and Tung, 1998). In order to manage the growing diversity of the work force, organizations need to implement such systems and practices so that the potential advantages of diversity are maximized and the potential disadvantages are minimized (Cox, 1994). In the past two decades several academic researches have been conducted on various issues relating diversity. Richard (2000) examined the impact of diversity on organization and its productivity while Jackson (1993) found the positive relationship between diversity and creativity. Diversity research has also addressed the factors involved in assimilating new employees into an organization's culture (Berry and Sam, 1997). However, some argue that by its fundamental nature, assimilating new employees to obtain greater fit between the person and organization is achieved at the expense of diversity (Powell, 1998). In other research, Tsui et al. (1992) showed that race and gender has negative relationship with diversity as compared to age. Other studies have also consistently found that observable attributes have negative effects on outcomes such as identification with the group and job satisfaction at both the individual and group level of analysis (Milliken and Martins, 1996). Further, Milliken and Martins (1996) supported the argument of Tsui et al. (1992) that racial and gender diversity can have negative influence on individual and team outcomes in some cases regardless of age.

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As an example, they referred to those groups members who differ from the larger group tend to show less commitment, more turnover and absenteeism while at the same time this results in additional costs, such as, group coordination cost, communication cost and training and development cost. So, according to them, diversity results in increase in coordination and control costs.

Dadfar and Gustavsson (1992) found that the majority of site managers believed that managers/supervisors are less effective when managing a work group composed of several nationalities. This is because language was regarded as a major obstacle to effective communication among workers of different nationalities. However, Watson et al. (1993) argue that these negative effects may diminish with time and may be offset by better quality and more creative decisions.

Having said that, it is important to understand that even for those who decide to embrace diversity as a concept, the road to diversity is not without challenges. Many businesses fail to see the full picture of diversity or understand all of its impacts on their operations (Farrer, 2004), as leading a diverse workforce requires considerable time, energy and skill. A diverse workforce represents many challenges to management in areas such as workplace authority, trust and commitment, different work ethics, firm structure and work-life balance (McCuiston et al., 2004).

Diversity challenges also include training costs, discrimination and conflicts. The increase in training cost results from the needed diversity-promoting programs which need to be administered to all employees (White, 1999). The

problem of perceived discrimination arises when a certain group feels that they have been unfairly discriminated against, which leads to a sense of rejection towards the group that was perceived as having unjustifiable benefits, which could lead to an increase in conflicts. According to Jehn (1995), the increase in conflicts – possibly leading to tension and animosity – occurs when employees do not have similar views on a particular issue and in turn such conflicts could have detrimental effects on performance. These effects include directing the attention of employees to each other instead of the job, increasing stress and anxiety, and it can result in hostile interaction among members (Chuang et al., 2004).

Leadership

Leadership remained the single most important issue in annual surveys for identifying top management issues during all times (HRI, 2002a). To manage a diverse workforce, organizations need visionary leaders but availability of them is scarce. According to the study by Diversity Inc. (2002), it is forecasted that many top management of many leading companies will lose one in five top managers due to retirement. Let alone, US companies will lose 40 percent or more of their top executives till 2015 (Wellins and Byham, 2001). One solution offered to this scarcity is to develop leaders at every level and in every function in an organization (Hesselbein, 2002). For this solution, Kappa Omicron Nu Honor Society (2002) advised the most effective leadership components to manage diversity, which are:

Sensitivity and awareness about diverse workforce.

Resources to strengthen and improve the quality of diverse individuals
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Inter-communication skills to solve mutual differences

Strategies to maximize the effectiveness of diverse workforce.

The goal should be to develop cross-cultural leaders and generate a new crop of multicultural professionals (Yukl, 2002). These leaders are provided with the required resources and authorities to manage workforce. The focus should be to enhance their listening, learning, networking, communication, and experimenting skills to manage a diverse workforce (Melymuka, 2001). Finally an effective strategy must be developed to include diversity at all levels of management, and there must be commitment to diversity at senior levels where it is strategically more important (Conklin, 2001). This strategy must be evident in organization's mission and vision statement and should involve a systemic, results-oriented, business-based approach (Fitzpatrick, 1997). Yet companies do not seek diversity unless this business competency results in increased profit and metrics that substantiate the necessity to expand the emphasis on diversity (Diversity Inc., 2002). Irrefutable measurable benefits can be derived from properly implemented policies to promote diversity (Jamrog, 2002). The most evident measurable benefits are improved bottom line, "competitive advantage", superior business performance, employee satisfaction and loyalty, strengthened relationship with multicultural communities, and attracting the best and the brightest candidates. Competitive advantage defined in diversity as, "Recruiting and retaining people of diverse backgrounds who can share a common set of values. . . and approach to business - is a priority for today's competitive organization" (McCormack, 2002, p. 1).

Jamrog (2002) suggested three-point approach to enhance effectiveness of leadership to manage diverse workforce: premise, guidelines and actions. There are three premises that leaders need to value diversity: (1) One size doesn't fit all - leaders need to use different approaches for solving problems and developing workers as all situations and individuals are not the same, (2) Not everyone can be a leader - organizational should focus only on individuals who have the ingredients of becoming a good leader, and (3) Leaders can be at any level or function - anyone who can inspire, influence and guide others in the organization is a leader regardless of position. The five guidelines that leaders need to value diversity are: (1) Communicate, communicate, and communicate - share freely your ideas, suggestions, opinions; listen to ideas of others with interest, (2) Build contact into your daily actions and duties - Plan your actions, meetings, and duties so as to maximize contact with multiple people in the organization. (3) Manage and lead by walking around - Be outside the office frequently and interact informally with others of different levels, functions, backgrounds and experience, (4) Champion diversity - Bring in the contribution of everyone to increase commitment, innovation and creativity, and (5) Sponsor diversity - Defend the decisions, actions and interactions while supporting everyone in the organization. Lastly, the five actions that leaders need to value diversity are: (1) Assessment of leadership potential within the organizations, (2) Provision of training and tools, (3) Inclusion of diversity at all levels, (4) measuring and rewarding efforts, and (5) encouraging the organization to be patient.

Conceptual Framework:

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Research Methodology: