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Assessed Coursework Cover Sheet

## **Module Title: Workplace Diversity**

Coursework Title: " Should organisations devote resources to managing diversity or is diversity management a waste of time and money?"

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## **Abstract**

The present essay discusses whether organisations should invest resources on managing diversity or not. It includes a number of arguments about the advantages and disadvantages of the implementation of diversity initiatives within the workplace and presents the factors that can limit diversity's beneficial impact. In addition, it uses two research papers, Herring's (2009) and Kochan's et al. (2003), in order to provide evidences from different points of view about the relationship between diversity in race and gender, and organisations' business performance. The findings of the two research papers agree to the fact that diversity can contribute to the enhancement of their business performance. However, according to the Kochan's et al. (2003) study, this can be achieved under specific circumstances such as the strong organisational commitment to diversity and its systematic application

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as a human resources practice. It is deduced that organisations in order to take advantage of the benefits of diversity, should take into consideration its potential for improving organisational and business performance through its proper management; thus, the investment on diversity management can evolve into competitive advantage for the organisation. Keywords: diversity, business performance, human resource practice, diversity management  
Paper type: Essay

## **1. Introduction**

Since the labor mobility and minorities' fight for equal rights and fair treatment in the workplace took great dimensions, workplace diversity evolved into controversial issue. Being a multidimensional issue, because of the number of differences traced in individuals, i. e. gender, ethnicity, race, religion and others, there is confusion and ambiguity around its contribution to organisational and business performance. However, the empirical implementation of diversity initiatives as a human resource practice has shown that diversity may be utilised by organisations to achieve better performance if it is properly managed and can evolve into a competitive advantage (Jayne & Dipboye, 2004). The present essay argues under which circumstances diversity can be beneficial for the organisational and business performance. Its main body is distinguished in three parts. The first part defines diversity and outlines the advantages and disadvantages and a number of limitations that derive from diversity within the organisational workplace. The second part focuses on the research that has been conducted in order to investigate the correlation between diversity and organisations' business performance. The third part provides

recommendations related to how the diversity management as human resource practice can turn out to be for the benefit of the organisations. Finally, it is concluded that organisations worth devoting resources to diversity management. It is essential to underline that even though diversity embraces latent and non - latent types of " differences", the evidence provided via the research part concern only the diversity in race and gender in the business case.

## **2. What is Diversity?**

According to Kathy Daniels and Lynda MacDonald, diversity in an organisational environment is the acknowledgement of individuals' differences regarding the gender, the race, ethnicity and other. " It is also about accommodating differences whenever possible so that an individual can play a full part in the working environment" (Daniels & MacDonald, 2005). Its philosophy is based on the dynamics it provides to organisations for taking advantage of the differences in the available labor. It is defined as organisational strategy for maintaining and managing a wide range of differences in labor in an attempt to achieve effectiveness. Effective diversity management means that all employees have the same opportunity to achieve career development and perform efficiently in the workplace without being advantaged or disadvantaged (Ongori & Agolla, 2007). Nonetheless, in order to understand better the importance of diversity, it is essential to distinguish the difference in strategy followed among, " affirmative action", " equal employment opportunity" and " diversity". The equal employment opportunity concerns the legal aspect of treatment in hiring or paying; affirmative action functions as a legal mean against discrimination issues,

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whereas diversity is considered to have a more social and ethical aspect towards individuals' " differences" (Jayne & Dipboye, 2004).

## **2. 1 Why Diversity?**

According to Corporate Leadership Council (2003), investing resources on diversity is beneficial for organisations and its business performance (Jayne & Dipboye, 2004). Konrad (2003) in his article has underlined a number of reasons why this assumption is valid (Jayne & Dipboye, 2004). The first reason is that diversity contributes to the attraction of a variety of talents and candidates. This stems from the organisational need to hire people with diverse skills and abilities in order to become more competitive. The second reason has to do with the fact that diversity in the workforce enables organisations to meet the diverse needs of consumers and customers and consequently contribute to the market broadness (Jayne & Dipboye, 2004). Also, Wentling and Palma-Rivas (2000) support that " the new form of economy and business" is based on service delivery, which lies to individual's ability to form mutual relationships in order to perform business (Ongori & Agolla, 2007). Consequently, the impact of diversity is beyond business; recruiting members of minorities and underrepresented groups, management diversity develops social dimensions with considerable impact on the community (Ongori & Agolla, 2007). This fact is also supported by Mueller (1998), who noted that diversity should be considered as a social requisite (Ongori & Agolla, 2007). Furthermore, diversity complies with the legislation for promoting equal employment opportunities; it contributes significantly to the elimination of illegal discrimination within the workplace in an attempt to protect human rights (Ongori & Agolla, 2007). According to <https://assignbuster.com/whether-organisations-should-invest-resources-on-managing-diversity-commerce-essay/>

Cox and Blake (1991), management diversity can result in the enhancement of decision making process and in the achievement of creativity, productivity and flexibility (Ongori & Agolla, 2007). Watson et al (1993) in their study concluded that groups that consist of individuals with different cultures are more effective, innovative, creative and perform better than the homogeneous groups after their co - existence for a period of time (Ongori & Agolla, 2007). Hence, diversity is crucial for enhancing overall performance that cannot be achieved with homogeneity (Ongori & Agolla, 2007). Also, Cox and Blake (1991) claim that diversity management when is effectively applied can heighten organisational flexibility towards various changes that take place at the external and internal organisational environment (Orlando & Johnson, 2001). Under these circumstances, the organisation enhances its ability to deal with environmental insecurity, leading to overall better performance (Orlando & Johnson, 2001). Hence, diversity functions like a spark that ignites organisational competitiveness (Jayne & Dipboye, 2004).

## **2. 2 Why No Diversity?**

In stark contrast to advocates of diversity, opponents claim that diversity is not always beneficial, as it amplifies the feeling of threat among employees with different gender, race, educational background and others.

Consequently, diversity can provoke conflict. Sometimes people fail to accept the " different" or are driven by stereotypes that can result in conflict (Ongori & Agolla, 2007). However, according to Watson et al. (1993) there are evidence which show that the communication gaps that might occur from conflict, evaporated as time flows (Orlando & Johnson, 2001). Another disadvantage of diversity for organisations is the cost required for training

(Ongori & Agolla, 2007). Training involves a number of seminars and programmes which are addressed to employees of all levels of hierarchy in an organisation. Employees are taught how to behave and cooperate with different people with different personalities and values (Ongori & Agolla, 2007). Nevertheless, " absenteeism and increase in the labor turnover" are considered to be disadvantages of diversity. White (1999) states that " absenteeism and turnover can cost a company up to \$3 million annually..." (Ongori & Agolla, 2007). Moreover, many organisational psychologists claim that the implementation of diversity programs as a management practice does not always have a positive effect on organisational performance. This is reasoned by the fact that the increase of diversity in applicants does not guarantee the attraction of talents. Research has shown when the effort for attracting skilful candidates is followed and determined by the appropriate " assessment tools" is more likely to lead to positive outcomes (Jayne & Dipboye, 2004). According to Michele E. A. Jayne and Robert L. Dipboye (2004), the term " assessment tools" involves " the effective measurement of knowledge, skills, abilities, experiences and other characteristics..." These tools are in position to act as an indicator of job performance. In order to achieve the desirable outcome, is essential to take into consideration the interaction of the assessment tools and diversity's potential (Jayne & Dipboye, 2004). Yet, research has shown that sometimes diversity holds the responsibility for the increase of demotivation and dissatisfaction among colleagues with diverse characteristics. According to Riordan (2000), Williams & O'Reilly (1998), increased heterogeneity in the workplace results

in the appearance of discrimination and in lower commitment which cast a shadow over the cohesion of the group members (Jayne & Dipboye, 2004).

### **Limiting factors for diversity's beneficial role**

Jayne and Dipboye (2004) in their article argue that there are a number of factors that can determine the success of diversity initiatives. Suffice to say, that the benefits of diversity are situational. In other words, if diversity can lead to effective organisational performance depends on a wide range of factors such as organisational environment, culture and other (Jayne & Dipboye, 2004). Yet, diversity effectiveness and success is determined by the achievement of the goals that address to, and the feedback provided for their successful implementation. It is required to underline that the achievement of goals should be strongly linked to its relative outcomes. Furthermore, the goal is essential to align with the legal frame for employment issues. But, in an attempt to take advantage of the goal setting process, organisations should take into consideration the real outcome so as to enhance their strategy accordingly. Thus, organisations that set feasible goals regarding diversity issues and evaluate the feedback can achieve effectiveness in diversity programs application (Jayne & Dipboye, 2004). Nevertheless, the success of diversity initiatives is determined by the way it is communicated and supported. This entails that the way of interpreting them is correlated with their potential success e. g. diversity in managerial positions indicates supportive attitude towards diversity and could be considered as an effective way to promote it within organisational workplace (Jayne & Dipboye, 2004). Gaertner, Rust, Dovidio, Bachman and Anastasio(1994) note that the effective application of diversity within the



workplace needs time, patience and interaction. However, this is not adequate (Jayne & Dipboye, 2004). Jayne and Dipboye (2004) in their article suggest that setting tasks and the reward provided for their successful achievement within the workplace, function as a sound motivation for interaction and collaboration among individuals. Thus, employees focus more on the successful achievement of tasks than on the " differences" among them. But, this kind of organisational strategic tactic might result in being considered as a manner of achieving success ignoring the beneficial role of diversity (Jayne & Dipboye, 2004).

### **3. Research on diversity and organisations' business performance**

#### **3. 1 Herring's (2009) research on diversity implications on business performance**

Cedric Herring (2009) in his research paper, explores the relationship between racial, gender diversity and business performance. For this purpose, he made use of data from 1996 to 1997 of the National Organisational Survey, which is a national sample for-profit-business U. S. organisations. The data derived from 506 organisations involving information about the composition of their workforce, the organisational structure and their business performance. Also, he had at his disposal significant information about the organisations' " identity" given by the " Dun and Bradstreet's Market Identifiers Plus service". He tested eight different hypotheses in terms of sales revenue, number of consumers, market share and profitability. Moreover, he took into consideration and other factors that might affect his research results such as the size of the organisation, its legal

type and others (Herring, 2009). For measuring diversity he used the indicator RID (Racial Index of Diversity) and AID (Asymmetrical Index of Diversity). Business performance was measured via the use of qualitative methods i. e. questionnaires (Herring, 2009). He suggests that diversity is positively correlated to better organisational performances as far as the business organisations are concerned; promoting diversity policy entails greater profitability and add financial value to the business organisations. Cedric Herring notes a number of paradoxes that emerged from his research. The first concerns the fact that diversity can lead to greater profitability; however, the interaction of heterogeneous groups may lead to the increase of conflict. The second paradox is referred to the fact that the greater degree in diversity, the greater organisational performance. These paradoxes are reasoned by the fact that conflict unleashes people's creativity; this means that the development of competition among members of a group generates more innovative ideas and flexibility than the complacency developed by cohesion among "similar" people. He found that diversity allows to the organisations to be more innovative by embodying to their workforce people from minorities groups. What is more, he underlines that even though diversity can entail a number of negative implications such as conflict among the members of the groups within the organisation, the overall "net" outcome is totally positive. Interestingly, the link between successful business performance to diversity stems from the fact that successful organisations invest on diversity management field (Herring, 2009).

### **3. 2 Kochan's et al. (2003) research on diversity implications on organisations' business performance**

According to relative research it is doubtful whether diversity in the workforce can lead to better business performance. Kochan et al. (2003) in their study found that the positive correlation between business performance and diversity in the workforce is ambiguous in terms of profitability (Jayne & Dipboye, 2004). Drawn by this ambiguity, they approved of applying the "Diversity Research Network". Their study concerns the investigation of the relationship between racial and gender diversity and business performance; it was applied to four large organisations with strong commitment to implementing diversity initiatives i. e. two information processing companies, financial services company and a large retail company. The model they developed is associated with group processes and implies that the effects of diversity on business performance are followed by organisational culture and practices; specifically, whether the outcome of diversity is positive or not for the organisational performance, depends on the organisational attitude towards diversity. Moreover, the model takes into consideration the hypothesis that the greater diversity in the workforce, the more likely to meet successfully the diversified consumers' needs (Kochen & al., 2003). Through this study, Kochen et al. (2003) attempted to add stronger empirical value to this hypothesis. It was found that the organisational practices followed by methodical approach to diversity are likely to affect positively group performance and subsequently organisational performance, cancelling partly its negative impact. Furthermore, they underline that the outcomes of their research due to the limited sample in spite of their validity, it is wise not to be generalised as the nature of the effects depends on many variables

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(Kochen & al., 2003). Their research acknowledges the beneficial aspect of diversity; however, they suggest that it worth's investing resources on it, only if organisations maintain a strong commitment to diversity value aligned to organisational goal for effectiveness. Under these circumstances, diversity could turn out to be a sound competitive advantage (Kochen & al., 2003).

#### **4. Managing Diversity: Diversity as a Human Resource Practice**

Drawn by the disadvantages mentioned above, it is elucidated that diversity could possibly evolve into a threat setting in jeopardy the organisational performance (Agrawal, 2012). Thus, it is necessary the organisation's "defence system" be reinforced towards diversity's losses through its proper management. A company that needs to get the most of diversity benefits and manage it effectively, it is essential to plan a diversity strategy which will be complied with organisational goals and culture. This plan will allow to the organisation to achieve lasting efficacy of diversity initiatives with the intention of better management of human resources (Friday & Friday, 2003). According to CIPD, gaining value from diversity is not an easy case. This is reasoned by the fact that managing diversity requires a sequence of drastic measures and steps implemented within the workplace by employers who acquire managerial positions (Emmott & Worman, 2008). The implementation of training programs will assist in promoting diversity as a key function for facilitating creativity and innovation, especially through group processes (Kochen & al., 2003). Diversity training programs involve a number of human resource practices and policies that are proactively

implemented in the workforce of an organisation to increase commitment and awareness about diversity's importance. These concern the reconstitution of active workforce through recruitment, retention and development programs i. e. mentoring programs. According to Orlando & Johnson (2001), training and development programs compose the " Diversity Orientation". This term is referred to the interaction of human resources practices and how it is driven towards diversity management within the organisational environment (Orlando & Johnson, 2001). Other practices involve the development of external partnerships with minority groups, relative publications on their official web pages to diversity programs, the effort of increasing diversity awareness among employees and generally the establishment of positive attitude towards diversity effects in the workplace (Jayne & Dipboye, 2004). Kochen et al (2003) in their research paper, encourage executives to examine and investigate more thoroughly the link between diversity and performance within their own organisation in an attempt to achieve more valid and accurate results. What matters most, is the development of those human resource practices, that will allow to different cultures, genders and generally heterogeneous groups to interact within the workplace in the name of effective collaboration and organisational performance (Kochen & al., 2003).

## **5. Conclusion**

This essay aimed to present different views about diversity's contribution to the organisational performance by highlighting the two sides of the " double edge sword" that diversity symbolises. Drawn by the research findings on the relationship between diversity in gender and race and organisations'

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business performance, it is concluded that diversity is in position to enhance their performance but does not guarantee that this can take place without the contribution of a number of factors. Increased awareness about diversity, strong commitment and alignment to embodying diversity initiatives in human resource practices can establish it as a "dynamic tool" for achieving organisational competitiveness. This change is essential to be driven by the top of the pipeline, by implementing the appropriate human resource management practices, so as organisations can benefit from diversity's advantages and cancel the negative impact of its disadvantages.