

The effect of employee diversity on organizational performance

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Abstract

Employee diversity has been increasingly recognized as an important factor for organizational performance. Businesses that embrace diversity tend to experience positive outcomes, including increased creativity, better decision-making, and improved profitability. The aim of this abstract is to review the literature that analyses if diversity affects organizational performance, and if yes, how. The study highlights the need for organizations to create a diverse and inclusive work environment that allows employees to feel valued and appreciated irrespective of their backgrounds. The findings of this study provide valuable insights into the benefits of embracing employee diversity for organizational performance. Leaders and managers should make diversity a priority and strive to create a work culture that values diversity, fosters inclusion, and promotes equality.

Keywords: Employee Diversity, Organizational Performance, Diversity-Performance Relationship, Productivity, Innovation, Employee Satisfaction

I Introduction

Diversity has many meanings, applications, and implications. Some organizations see it as an asset from which innovation and competitive advantages can springboard, while others see it as a hindrance, constrain, and biases. Traditionally, diversity included religion, language, age, gender, ethnicity, education, cultural and personality orientation. Today, the concept of diversity has evolved to encompass strategic targets to improve organizations performance and effectiveness. Therefore, organizations promote workforce diversity to bolster organizations performance. However, many studies suggest that diversity exists in different forms with different intensities. If not managed properly, it has the potential to harm morale, intensify turnover and result in substantial communication problems.

The lack of diversity training and understanding of diversity beliefs, especially in developing countries with rigid social and cultural bonds, leads to organizations bias. To overcome these organizations biases, E-Vahdati et al. recommended that firms should emphasize corporate governance, accountability, ethics, trust, and diversity. Moreover, organizations also need diversity for rational decision-making and promoting a conducive environment, where everyone's beliefs are respected, leading to employees self-reflecting on the positive benefits. However, if workforce diversity is mismanaged, this could lead to emotional conflicts, perceived organizations politics, miscommunication, power struggle, and higher employee turnover. As a result, having a diverse workforce would become an inhibitor for organizations development.

II Employee diversity is necessary in the workplace

Employee diversity is necessary in the workplace for several reasons. Firstly, it promotes creativity and innovation by bringing diverse perspectives and ideas. Secondly, it helps to build a better understanding of customers from different backgrounds and cultures, enabling businesses to serve a more extensive customer base. Thirdly, it creates a more inclusive and welcoming environment by preventing workplace discrimination and harassment based on race, gender, or other characteristics. In today's globalized world, diversity in the workplace is essential to stay relevant and competitive. Companies that embrace diversity are more likely to attract and retain a diverse workforce, which can lead to improved performance and increased profitability. Therefore, employers should prioritize diversity and inclusion in their recruitment efforts and ensure that their workplace culture is welcoming and inclusive to everyone. Employee diversity has a significant impact on organizational performance.

A diverse workforce brings together people with different backgrounds, experiences, and perspectives. They can come up with innovative ideas that can help to solve complex problems and create new products or services. When employees feel that their differences are valued, they are more likely to be engaged and dedicated to their work. A diverse team promotes an environment where everyone feels respected and valued. Diverse teams can make better decisions since they take into account a broader range of viewpoints. This can lead to better strategic planning, risk management, and problem-solving. Diversity in the workforce enables organizations to understand and serve a broader range of customers.

This knowledge could pay off in the long run in the form of increased customer satisfaction and loyalty. Organizations that prioritize and embrace employee diversity often have a better reputation and are more attractive to job seekers and customers alike.

IV THE APPROACH

There are several approaches that organizations can adopt to build employee diversity and enhance their performance. Organizations can start by developing a diversity and inclusion policy that outlines the company's commitment to diversity and inclusion. The policy should also outline how the organization plans to achieve diversity and inclusion across all levels and functions of the company. Organizations can use diverse recruitment methods to attract and hire a diverse workforce. This can include reaching out to organizations that represent diverse communities, using inclusive job descriptions, and providing accommodations for candidates with disabilities. Organizations can provide diversity training to employees to promote awareness and understanding of different cultural backgrounds, beliefs, and perspectives.

This can help to create a more inclusive workplace and reduce bias and discrimination. Encouraging mentorship and sponsorship can help to support the development and advancement of diverse employees. The organization can pair diverse employees with mentors who can provide guidance and support for their career development. Encouraging an inclusive culture can help to create a sense of belonging for all employees. This can include promoting a work environment that values open communication, collaboration, and respect for diversity. By adopting these approaches, organizations can build a diverse and inclusive workforce that can enhance performance and business success.

V Information and decision making perspective

The information and decision making perspective is presented by Cox and Blake (1991), who proposed this perspective as a theoretical means of understanding the link between organizational diversity and organizational effectiveness. They observed that up to that time, the literature available had asserted a link between organizational diversity and organizational effectiveness (and some studies had demonstrated this link using field studies of empirical findings) (Cox and Blake, 1991). However, none of these studies had actually proposed or tested a causal mechanism associated with this link, instead leaving this issue open to interpretation. The information processing and decision making perspective effectively encapsulates the cognitive resource diversity theory, which posits that the cognitive resources of each team member contribute to the overall success of the team; therefore, a diversity of the cognitive resources promotes creativity and decision making capacity (Horwitz, 2005). There is evidence from a

wide variety of team types, including flight crews and virtual teams, support this framework of understanding diversity in teams (Guzzo and Dickson, 1996).

These three arguments of diversity form the core of what is defined as functional diversity within this discussion. However, in common with later discussions of this type of diversity, the authors do not offer a specific definition of diversity that identifies the forms of diversity likely to be affected by this mechanism, although the discussion touches on issues of bilingualism and gender diversity (Cox and Blake, 1991). This can be seen to be a persistent theme throughout the literature, with many of the studies that were reviewed not clarifying what types of diversity were reflected in their studies.

- Social organization perspective

An alternative perspective on the definition of diversity is that of the social organization perspective. This definition is based in the similarity attraction paradigm (Horwitz, 2005). The similarity attraction paradigm is based in the idea of social homophily as discussed above. That is, individuals that are more similar will be able to work together more effectively (McPherson, Smith-Lovin, and Cook, 2001). The social organization perspective focuses on social categories (including age, race-ethnicity, and so on) as a means of accessing external networks as well as a source of increasing conflict between individuals within the social group (Horwitz, 2005). However, the social organization perspective also recognizes a significant source of conflict and loss of efficiency within organizations related to the alignment of individuals along social identity lines.

In particular, alignment along social identity lines can cause considerable conflict between social groups since this identity-based alignment replicates tensions within the organization based on differing social treatment of groups (Schneider and Northcraft, 1999). This social identity causes what the authors term "temporal gaps and collective fences" (Schneider and Northcraft, 1999, p. 1445), which creates conditions under which functional diversity becomes less important. This can also create gaps in individual and managerial participation in diversity, which ultimately can cause problems in the social foundation of the organization (Schneider and Northcraft, 1999). This effect is not consistent as significant amounts of other research has determined that social identity diversity can cause positive effects in teams as well as negative effects if well-managed, implying that leadership plays a moderating role in social identity diversity relationships (Christian, Porter and Moffitt, 2006; Horwitz, 2005).

V CONCLUSION

Employee diversity can affect organizational performance positively or negatively depending on its implementation and management. A diverse workforce can contribute to creativity, innovation, and attract

a wider range of customers, but at the same time, it can lead to social categorization, communication problems, and conflicts. Effective diversity management can maximize the advantages and minimize the negative effects of diversity. However, more empirical research is needed to understand the relationship between employee diversity and organizational performance. Overall, the literature on employee diversity provides strong evidence that diversity in the workplace is associated with positive organizational outcomes and employee experiences. However, the impact of diversity is not always consistent, and there are significant challenges to managing and promoting diversity effectively. To maximize the benefits of diversity, organizations must implement strategies that focus on both diversity and inclusion and create a culture that values and promotes diversity at all levels. The impact of employee diversity on organizational performance is crucial. It promotes creativity, innovation, employee engagement, customer satisfaction, and improved reputation. Therefore, organizations should make a sustained effort to create a diverse and inclusive workforce to remain competitive and successful in the long run.

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