

## **THE IMPACT OF WORKFORCE DIVERSITY ON ORGANIZATIONAL EFFECTIVENESS: A STUDY OF A NIGERIAN BANK**

**OMANKHANLEN ALEX EHIMARE,  
JOSHUA O. OGAGA-OGHENE\***

**ABSTRACT:** *It is generally recognized that there is diversity in the workforce of any enterprise, be it business, government, or civil society. This study therefore seeks to find out the impact of workforce diversity on organizational effectiveness using a Nigerian bank for the study. We used the Blau's 1977 index of heterogeneity to measure the diversity index. While asset growth for the year 2008 and 2009, using 2007 and 2008 as base year was used to measure the growth strategy. To determine group diversity and performance outcomes moderated by workgroup context, a series of hierarchical regression analysis were conducted. The study finds significant correlation between some of the diversity variables as well as individual diversity variables with the measures of organizational effectiveness. Also it reveals that gender and ethnicity are negatively related to both employee productivity and performance bonus. In addition the study find that gender, age and tenure diversities are positively correlated and are significantly related. It is recommended that company executives use good strategies to effectively manage workforce diversity and collaborative research efforts should be done to ascertain the contextual variables that moderate workforce diversity to produce positive performance outcomes.*

**KEY WORDS:** *performance; organization; gender; age.*

**JEL CLASSIFICATION:** *L1, L2, J7.*

### **1. INTRODUCTION**

The phenomenon of workforce diversity has not been given due attention by corporate Nigeria largely due to a seeming corporate culture that is partly characterised

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\* Department of Banking and Finance, Covenant University, Ota, Ogun State, Nigeria, [alexehimare@yahoo.com](mailto:alexehimare@yahoo.com)

Registrar's Office, Covenant University, Ota, Ogun State, Nigeria, [joshogaga@gmail.com](mailto:joshogaga@gmail.com)

by socio-political patronage of people in authority, particularly in human resource procurement and administration. Nevertheless, indigenous corporate organisations with a global focus are beginning to give attention to this management challenge.

Very few researches on this phenomenon have been conducted in African setting; some of them fall short of a comprehensive examination of workforce diversity. These previous studies conceptualised workforce diversity as multi-ethnic. Nigeria like many nations of the world is ethnically heterogeneous, and is characterized by other demographic diversities, which are reflective in workplaces. Business organisations in the developed and developing countries are all caught up in the globalisation web, which has heralded increased demographic diversity in the workforce. This phenomenon is one of the most challenging human resource and organizational issues of our time. Academicians and practitioners have sought to understand the impact of diversity and its management on organizational effectiveness.

Empirically, work place (workforce) diversity is found to have a contrasting dual implication on organizational effectiveness. *Milliken and Martins (1996)*, opines that '*diversity appears to be a double-edged sword, increasing the opportunity for creativity as well as the likelihood that group members will be dissatisfied and fail to identify with the group*'. Some studies have found that various forms of diversity are associated with greater innovation, improved strategic decision making, and organizational performance. Other research shows that various types of team and organizational diversity sometimes increase conflict, reduce social cohesion, and increase employee turnover (*Jackson, Joshi, & Erhardt, 2003; Webber & Donahue, 2001*). The demographic composition of today's workplace, occasioned by the international trend toward increased immigration and the globalisation of firms, is increasingly becoming diverse (*Johnson, 2002; Yaprak, 2002*). The demographic trends in developed and developing countries—aging workforce, growing representation of women and minorities in the workplace, and the rising number of young people in developing countries has altered homogeneous work settings of the recent past (*Mor-Barak, 2005; Gorski, 2002*). Thus, given these demographic and organizational trends, business organizations are contending with the challenges of effectively managing a diverse workforce.

Research has shown that business organizations are increasingly embracing the use of workgroups as a strategy-structure mix in the pursuit of organizational goals. This new trend in organizing work is predicated on flexibility, innovation, and quick decision making prospects inherent in a team-work setting. In a climate of increasing competitiveness, many organizations rely on workgroups to generate the innovations necessary for sustained business success (*Mumford & Licuanan, 2004; West & Anderson, 1996*). In addition, the contemporary demographic changes, increasingly globalized markets, greater mobility, and laws aimed at promoting fairness in recruitment practices, doubtlessly is precipitating diversity within work- teams in today's organizations (*Williams & O'Reilly, 1998*). *Richard (2000)* examined firm-wide business strategies as a variable in determining the relationship between diversity and performance. *Richard (1999)* and *Richard & Johnson (2000)* espoused human resource practices as possible contextual factors that influence the diversity-performance link. In this study, we seek to extend the existing research on workplace

diversity by conceptualizing and empirically examining the effects of organizational culture and business strategies as contextual environments of workgroups in exploring the impact of workplace diversity on organizational effectiveness.

## **2. RESEARCH HYPOTHESES**

- (1) Workgroups that are demographically diverse are likely to be less effective in workgroup contexts that emphasize competition oriented cultures than in contexts that do not emphasize competition-oriented cultures.
- (2) Workgroups that are demographically diverse are likely to be more effective in workgroup contexts that pursue growth oriented business strategies than in contexts that do not pursue growth-oriented business strategies.

The results of past research on workplace diversity were contradictory. On the one hand, *Watson, Kumar, & Michaelsen, (1993)* show positive effects on organizational effectiveness, while, *Ancona & Caldwell, (1992b)* show negative effects on organizational performance. However, recent research has stressed the importance of contextual variables when modeling the relationship between workplace diversity and effectiveness (*Chatman, Polzer, Barsade, & Neale, 1998; Richard & Johnson, 2001*). Moreover, following the increasing adoption of workgroups as a strategy-structure mix by corporations, several prior researchers have examined the diversity-performance relationship from the standpoint of workgroup heterogeneity. Thus, in order to ascertain the impact of workplace diversity on organizational effectiveness, the scope of this study is to extend research on the impact of workplace diversity by examining the impact of demographic diversity on workgroup effectiveness in the context of organizational culture and business strategy.

This study is divided in to five parts-the above being the introduction, the second part gives the literature review. The third part is the methodology followed by the data presentation and analysis in part four. The fifth part is the research findings, recommendation and conclusion.

## **3. LITERATURE REVIEW**

The literature on workplace diversity contains two main bodies of work. One area focuses on the development of conceptual frameworks for understanding diversity and its impact on organizational behavior and performance (*Jackson, Joshi, & Eisenhardt, 2003; Webber & Donahue, 2001*). The other area presents generalized prescriptions for effectively managing workplace diversity (*Mor-Barak, 2005*).

### **3.1. Workplace Diversity: Concept and Theory**

Workplace diversity is a complex, controversial, and political phenomena (*Janssens & Steyaert, 2003*). It has been conceptualized by researchers from several viewpoints. Several have looked at it from a narrow perspective, while some others from a broad view (*Nkomo, 1995*). Scholars favourably disposed to a narrow definition argue that the concept of diversity should be restricted to specific cultural categories

such as race and gender (*e.g. Cross, Katz, Miller & Seashore, 1994*). Some opine that diversity based on race, ethnicity and gender cannot be understood in the same way as diversity based on organizational functions, abilities or cognitive orientations (*Nkomo, 1995*). Moreover, the key issues of diversity are those that arise because of discrimination and exclusion of cultural groups from traditional organizations (*Cross et al., 1994*). Therefore, if diversity is a concept that is inclusive to all individuals, it will become very difficult to identify discrimination practices. The main concern of this standpoint is that a broad definition may imply that all differences among people are the same. Thus, diversity studies would then be reduced to the conclusion that 'everyone is different' and, if this conclusion is accepted, the concept of diversity may become "nothing more than a benign, meaningless concept" (*Nkomo, 1995*). The danger in narrowly defining diversity, however, is that only one dimension of cultural diversity (race, age, ethnicity, or gender) is by and large the subject of research at a time. Since a cultural diversity dimension interacts with other dimensions of diversity, a narrow concept of diversity would be deficient by failing to recognize these interactions (*Michaéla, Deanne, Paul, & Janique, 2003*).

Scholars, who advocate a broad definition (*e.g. Jackson, May & Whitney, 1995*) argue that diversity encompasses all the possible ways people can differ. Individuals, according to this school of thought, do not only differ because of their race, gender, age and other demographic categories, but also because of their values, abilities, organizational function, tenure and personality. They contend that an individual has multiple identities and that the manifold dimensions cannot be isolated in an organizational setting. Apart from bringing their race, age, ethnicity, and gender, individuals also come with their particular knowledge, personality, and cognitive style to the work place. Therefore, in order to understand the dynamics of a heterogeneous workforce, the interactive effects of multi-dimensional diversity have to be addressed. In addition, it is argued that a broadening of the concept of diversity has a potential positive effect on diversity management programs, as it will be more acceptable if it is all inclusive i.e. not only oriented towards specific demographic groups of employees (*Thomas, 1991*).

*McGath, Berdahl & Arrow (1995)* conceptualized workplace diversity by developing a five cluster classification. This often cited categorization is as follows: demographic characteristics such as age, ethnicity, gender, sexual orientation, physical status, religion and education; task-related knowledge, skills and capacities; values, views and attitudes; personal, cognitive and attitudinal styles; Status in the organization such as one's hierarchical position, professional domain, departmental affiliation and seniority.

Theoretically, the workplace diversity literature espouses three different theoretical frameworks for the examination of the possible effects of workplace diversity (*Williams & O'Reilly 1998*). The first is social categorization, which, according to *Turner (1987)* describes the categorization of people based on salient attributes like gender, ethnicity or age, resulting in stereotyping on the basis of these differences. The second is similarity/attraction theory, which asserts that similarity on salient and non-salient attributes like race or values increases interpersonal attraction and attachment (*Berscheid & Walster, 1978*). The third is information and decision-

making theory, which examines the impact of distribution of information and expertise on work-teams (*Wittenbaum & Stasser, 1996*).

These theories lead to different and sometimes contradictory hypotheses regarding the effects of diversity on group process and performance (*Michaéla, Deanne, Paul, & Janique 2003*). Social categorization and similarity-attraction theory predict negative effects, such as reduction in within-group communication, decreased satisfaction and commitment, and increased labour turnover. However, from the information and decision-making perspective, positive effects of diversity are hypothesized, mainly because more diverse work-teams are expected to process information differently, as team members may bring together differing viewpoints (*Williams & O'Reilly, 1998; Cox, 1993; Pollar & Gonzalez, 1994*). This, in turn, is expected to lead to more creativity and increased performance.

Research findings suggest that several factors could be responsible for the conflicts provoked by diversity in work-team composition. Some researchers (*Pelled, Cummings, & Kizilos, 1999; Tsui, Egan, & O' Reilly, 1992*) have proposed that identifying individual group members with distinct groups (i.e., "out-groups") may disrupt group dynamics. Consistent with this, research on self-categorization theory has shown that out-group members evoke more disliking, distrust, and competition than in-group members (*Hogg, Cooper-Shaw, & Holz worth, 1993*). Moreover, biases against out-group members seem to unfold automatically: the perception of a salient quality (e.g., race, sex) more or less inevitably triggers a corresponding categorization (*Fiske & Neuberg, 1990*).

In addition, if out-group members come from cultures or sub cultures with which in-group members are unfamiliar, linguistic or paralinguistic differences may foster miscommunication and misunderstanding (*Hambrick, Davison, Snell, & Snow, 1998; Palich & Gomez-Mejia, 1999*). Less palpable differences associated with attitudes, perceptions, and expectations (*Palich & Gomez-Mejia, 1999*) may pose subtler but nevertheless formidable deterrents to communication and understanding in diverse groups. Together, these factors may combine to make diverse groups a fertile breeding ground for misunderstanding and discord.

Generally, there is empirical support for the assumption that all dimensions of diversity can lead to positive as well as negative effects (*Jackson et al., 2003*). Social categorization theory, emphasize that similarities and dissimilarities can lead to categorizations which, in turn, lead to favoring one's in-group to the detriment of one or more out-groups social (*Tajfel & Turner, 1986*). On an intra-group level, this approach is typically referred to as relational demography. Thus, categorizations within a work group (based on an attribute such as gender, race, or age) can lead to the problematic formation of sub-groups ("us" versus "them").

Further to this, research findings shows that, relative to homogeneous groups, members of diverse work-groups display less attachment to each other, show less commitment to their respective organizations (*Harrison, Price, & Bell, 1998*), communicate less with one another (*Watson et al., 1993*), miss work more often (*Tsui, Egan, & O' Reilly, 1992*), experience more conflict (*Pelled, Eisenhardt, & Xin, 1999*), and take more time to reach decisions (*Hambrick, Cho, & Chen, 1996*). When the members of a work group have different demographic backgrounds, they may have

dissimilar belief structures (*Wiersema & Bantel, 1992*), i.e., priorities, assumptions about future events, and understandings of alternatives (*Hambrick & Mason, 1984*), based on previous training and experiences. *Eisenhardt, Kahwajy, & Bourgeois (1997b)* noted that executives "who have grown up in sales and marketing typically see opportunities and issues from vantage points that differ from those who have primarily engineering experience." Such distinct perspectives may stem, in part, from resource allocation and reward disparities (*Donnellon, 1993*), which encourage contrasting views of what is important. Due to their respective belief structures, group members with different demographic backgrounds may have divergent preferences and interpretations of tasks (*Waller, Huber, & Glick, 1995*).

These divergences are likely to manifest themselves as intra-group task conflict. As diversity within a work group increases, such task conflict is likely to increase. Increased diversity generally means there is a greater probability that individual exchanges will be with dissimilar others. Members are more likely to hear views that diverge from their own, so intra-group task conflict may become more pronounced. Also, cognitive tasks in organizations typically demand the experience and knowledge obtained through exposure to functional areas and organizational tenure. *Ancona and Caldwell (1992a)* noted that for tasks such as those of product development teams, functional background and company tenure are likely to be particularly important because they determine one's technical skills, information, expertise, and one's perspective on an organization's history. Others (*Sessa & Jackson, 1995; Milliken & Martins, 1996; Pelled, 1996*) have similarly argued that functional background and tenure are especially pertinent to work group tasks. Age, gender, and race, in contrast, are low in job-relatedness.

These empirical evidences notwithstanding, the controversy whether or not there is a positive connection between workplace diversity and organizational performance still persists. *Anderson & Metcalfe (2003)* reviewed the evidence for managing workplace diversity. They suggested that, while there are claimed gains for workplace diversity, there are also adverse implications. They argued that there is a paucity of stout research examining the impact of diversity upon businesses, which has raised questions about the existence of any connection between workplace diversity and business performance. The business benefits of workplace diversity have been widely contested ever since the idea was conceived. And, even now, there is an ongoing debate as to whether there is indeed any discernable business benefit (*Mulholland, Ozbilgin, & Worman, 2005*).

#### **4. METHODOLOGY**

Both theoretical and empirical findings reveal that the specific effects of team diversity are difficult to predict. Several contextual conditions seem to moderate the relationship between diversity and performance. Context is a multilevel construct that encompasses innumerable specific elements. Theoretically and empirically, all work teams share the company-wide context, such as organizational culture, business strategy and people oriented human resource policies. Other elements of context are more local, and vary from one team to another. Regardless of whether company-wide

conditions are favourable or unfavourable for diverse teams, local conditions represent another level of context that may account for diversity's effects on work groups.

## **5. DATA**

Data for this study were gleaned both from primary and secondary data sources. Published annual reports of the bank and the Central Bank of Nigeria were examined for relevant data, and complemented with a random sample of work teams within the bank's 62 branch network in Lagos Island and Mainland, using questionnaires. The sample size surveyed is 120 work-teams drawn from 248 teams within the Lagos area. The choice of Lagos branch network of the bank as the sample frame is informed by the metropolitan demographic composition of Lagos, which is reflective of the heterogeneous make-up of Nigeria's labour force.

## **6. MEASURES**

### **6.1. Independent Variables**

**(i) Cultural Diversity.** Two types of group diversity measures that have been widely utilized in past studies (*Jehn et al., 1999; Pelled, Cummings, & Kizilos, 1999*) are used in this research. For the categorical variables of ethnicity, gender, and function, the study measures the diversity index using *Blau's (1977)* index of heterogeneity which is defined as:  $(1 - \sum p_i^2)$ .

Where P represents the proportion of team members in a diversity category, and i is the number of different categories represented on a team. This is consistent with the approach suggested by *Teachman (1980)*, and *Ancona & Caldwell (1992b)*. But for the continuous variables, the coefficient of variation (the standard deviation of the selected attribute divided by its mean) was used to measure the group diversity for continuous variables—age, tenure, and level of education; (*see Allison, 1978*).

**(ii) Growth Strategy.** Asset growth for the year 2008 and 2009 were taken directly from the published annual financial reports of the bank. Asset growth for 2008 and 2009 were the percentage growth in total assets using 2007 and 2008 respectively as base years. This measurement is consistent with previous measurements of a bank's orientation toward growth (*Hunter, 1996; Mehra, 1996; Richard, 2000*). Higher percentages reflect a growth strategy, and negative percentages reflect asset reduction or a downsizing strategy. In order to smooth the annual fluctuation for the growth strategy measure generated by the recent global economic meltdown and the CBN's banking reforms, a two year average of this measure is used for the study.

**(iii) Control Variables.** Three control variables were used and are discussed below. Group size is included as a control variable in most analyses in order to reduce the probability of attributing size-related phenomena to the effects of diversity. Previous research has found that work-group size and organization size are associated with work attitudes and related outcomes, such as turnover (*Berger & Cummings, 1979*). Also, for statistical reasons, heterogeneity measures are correlated with group size when teams are relatively small (*e.g. Bedeian & Mossholder, 2000*). Controlling

for size reduces the consequences of this measurement artifact. The average tenure of employees was also included as a control variable. Like size, previous research has found that organizational tenure is correlated with work attitudes and performance (Berger & Cummings, 1979), and these effects need to be taken into account when examining the effects of diversity. Similarly, gender diversity, measured by *Blau's* (1977) index was also included as a control measure. Previous research also indicates that gender diversity correlates with racial/ethnic diversity as well as to performance (Pelled, Cummings, & Kizilos, 1999).

## 6.2. Dependent Variables

**Performance Measure.** We used two measures to derive a more comprehensive picture of the impact of cultural diversity on the organization's effectiveness by evaluating the productivity of each group sampled. First, employee productivity is an intermediate output measure. Productivity per employee is an important performance criterion in a service organization like a bank, because human labour costs are high (Mehra, 1996). Using *Bartel's* (1994) labour productivity equation, productivity was calculated as the logarithm of net income (net profit) per employee for 2008 (see Richard, 2000). This measure reflects employee efforts (Richard, 2000). We also used performance bonus as a measure of employee productivity. The bank's remuneration package includes bonuses for achieving prescribed performance goals. The survey instrument elicited responses from participants whether he/she did receive performance bonus in the last two years.

**Data Analysis.** To determine group diversity and performance outcomes moderated by workgroup context, a series of hierarchical regression analysis were conducted. This is consistent with recent strategic human resource management research (see Richard 2000; Jehn & Bezrukova, 2004; Jackson & Joshi, 2004). Step 1 of the hierarchical regression contains control variables. Step 2 includes the main effects of the group diversity variables. Step 3 include the context variables, and step 4 includes the interactions of diversity variables for each context interaction (eg, gender diversity x competition oriented culture x age diversity x competition oriented culture x tenure x competition oriented culture x ethnicity x competition oriented culture; etc).

## 7. DATA PRESENTATION AND ANALYSIS

Data for this study were gleaned both from primary and secondary data sources. The Published annual reports of the bank for 2008 and 2009 were examined for relevant data. In addition, a random sample of work teams within the bank's 62 branch network in Lagos Island and Mainland was undertaken, using questionnaires. The sample size surveyed is 120 work-teams drawn from 248 teams within the Lagos area. Response rate to the survey was 40%, involving 48 work teams, made up of 162 individuals; most of whom perform marketing functions.

### 7.1. Demographic Characteristics of Respondents

Table 1 shows the age characteristics of respondents. 43.2% are within the age group of 26-30, while 74.7% are cumulatively within the age group of 26-35. The data shows that a relatively high proportion of the workforce is in their active productive years. It also shows that the bank's recruitment policy is consistent with contemporary trends, which emphasizes recruitment of relatively younger people.

**Table 1. Age of Respondents**

Age Group	Frequency	Percentage	Cumulative Percentage
20-25	9	5.6	5.6
26-30	70	43.2	48.8
31-35	51	31.5	80.2
36-40	23	14.2	94.4
41 & above	9	5.6	100
Total	162	100.0	

Table 2 shows the gender distribution of respondents. Female respondents constituted 59.3% of respondents, while 40.7% were male. The data is consistent with a recent trend in the Nigerian banking industry where the female gender is very prominent, especially in the marketing function.

**Table 2. Gender of Respondents**

Gender	Frequency	Percentage	Cumulative Percentage
Male	66	40.7	40.7
Female	96	59.3	100
Total	162	100.0	

Table 3 shows that, cumulatively, 74.7% of respondents have worked with the bank for a period ranging from 1 to 10 years, while 25.3% have been with the bank for a period ranging from 11 to 15 years.

**Table 3. Tenure of Respondents**

Tenure	Frequency	Percentage	Cumulative Percentage
1-5	40	24.7	24.7
6-10	81	50.0	74.7
11-15	41	25.3	100
16-20	0	0	
Total	162	100.0	

Table 4 shows the ethnic composition of respondents. Cumulatively, respondents from the three southern geo-political zones constitute 69.1%, while 30.9% of respondents are natives of the three northern geo-political zones. 4.3% of respondents hail from the North West geo-political zone constitutes the least geo-political zone.

**Table 4. Ethnic Composition of Respondents**

<b>Ethnicity</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
South/West	52	32.1	32.1
South/East	24	14.8	46.9
South/South	36	22.2	69.1
North/East	14	8.6	77.7
North/West	7	4.3	82.0
North/Central	29	18.0	100
Total	162	100.0	

## 7.2. Diversity Analysis

Two types of group diversity measures that have been widely utilized in past studies are used in this research: for the categorical variables of gender and ethnicity, the Blau's heterogeneity index was used, while the variance (standard deviations of the individual group mean, divided by its mean) was used for the continuous variables of age and tenure. The composite measures for these diversity variables are presented here.

**Categorical Variables.** Table 5 shows the Blau's heterogeneity index for gender, and ethnicity. Composite gender diversity is 0.48, while the composite ethnicity index is 0.78.

**Table 5. Categorical Diversity Measures**

<b>Composite Diversity Variable</b>	<b>Composite Diversity Index</b>
Gender	0.48
Ethnicity	0.78

**Continuous Variables.** Table 6 shows the coefficient of variation for age and tenure which is the heterogeneous measures for continuous diversity predictors of performance outcomes.

**Table 6. Continuous Diversity Measures**

<b>Work Group Diversity Variables</b>	<b>Workgroup Diversity Measures</b>
Age	0.11
Tenure	0.33

### 7.3. Workgroup Context

Management policies translate into the work context of workgroups. Below is the analysis of workgroup context of the teams within the bank. Two categories of workgroup contexts were investigated. The first was work group culture and the second was organizational strategy.

**Table 7. Workgroup Context of Respondents**

Workgroup Context	Proportion
People-Oriented Culture	13.8
Competition-Oriented Culture	86.2
Growth-Oriented Strategy	94.7
Non-Growth-oriented Strategy	5.3

Table 7 shows the proportionate distribution of work group contexts. It indicates that 86.2% of respondents work in competition oriented cultural context, while 13.2% carry out their work in a people-oriented cultural setting. Also, 94.7% of respondents conduct their work in growth oriented strategic context, and 5.3% work in a non-growth oriented strategic environment.

### 7.4. Correlations of Diversity Predictors with Measures of Effectiveness

Here we present the correlation analysis of the heterogeneous factors investigated with the measures of group effectiveness. Table 4.8 shows these relationships.

**Table 8. Correlation Among Variables**

	1	2	3	4	5	6	7	8	9	10	11
<b>1. Group Size</b>	1	.097	-.275(*)	-.177	.147	.072	-.045	.057	-.096	1.000(**)	.174
		.255	.029	.114	.159	.313	.382	.351	.258	.000	.118
<b>2. Mean Tenure</b>	.097	1	.066	.003	.122	-.184	.075	-.007	.184	.097	.291(*)
	.255		.327	.492	.204	.105	.307	.482	.105	.255	.022
<b>3. Gender Diversity</b>	-.275(*)	.066	1	.682(**)	.609(**)	.492(**)	-.006	-.113	-.017	-.275(*)	-.111
	.029	.327		.000	.000	.000	.484	.221	.454	.029	.225
<b>4. Ethnic Diversity</b>	-.177	.003	.682(**)	1	.490(**)	.474(**)	.052	.021	.011	-.177	-.185
	.114	.492	.000		.000	.000	.363	.444	.469	.114	.104
<b>5. Age Diversity</b>	.147	.122	.609(**)	.490(**)	1	.592(**)	-.037	.023	-.158	.147	.249(*)
	.159	.204	.000	.000		.000	.403	.440	.142	.159	.044
<b>6. Tenure Diversity</b>	.072	-.184	.492(**)	.474(**)	.592(**)	1	.005	.187	-.127	.072	.000
	.313	.105	.000	.000	.000		.487	.102	.195	.313	.499

7. People oriented context	-.045	.075	-.006	.052	-.037	.005	1	.309(*)	.085	-.045	-.047
	.382	.307	.484	.363	.403	.487		.016	.284	.382	.376
8. Competition Oriented Context	.057	-.007	-.113	.021	.023	.187	.309(*)	1	.154	.057	-.047
	.351	.482	.221	.444	.440	.102	.016		.148	.351	.376
9. Growth Oriented Context	-.096	.184	-.017	.011	-.158	-.127	.085	.154	1	-.096	-.005
	.258	.105	.454	.469	.142	.195	.284	.148		.258	.487
10. Employee Productivity	1.000(**)	.097	-.275(*)	-.177	.147	.072	-.045	.057	-.096	1	.174
	.000	.255	.029	.114	.159	.313	.382	.351	.258		.118
11. Bonus	.174	.291(*)	-.111	-.185	.249(*)	.000	-.047	-.047	-.005	.174	1
	.118	.022	.225	.104	.044	.499	.376	.376	.487	.118	

\*Correlation is significant at the 0.05 level (1-tail), \*\*Correlation is significant at the 0.01 level (1-tail)

Table 8 shows the correlation among all variables. Regarding correlation between the diversity and performance variables; Gender is negatively related to both employee productivity and performance bonus ( $r_s = -.275$  and  $-.111$ ,  $p_s < 0.01$  respectively), but is significantly related to employee productivity ( $r = -.275$ ,  $p < 0.01$ ). Age is positively related to employee productivity ( $r = .147$ ,  $p < 0.05$ ) and significantly related to performance bonus positively ( $r = .249$ ,  $p < 0.05$ ). Ethnicity is insignificantly related to both employee productivity and performance bonus negatively ( $r_s = -.177$  and  $-.185$  respectively,  $p < 0.05$ ). Also, tenure is insignificantly related to employee productivity positively ( $r = .072$ ,  $p < 0.05$ ) and is not related to bonus ( $r = -.000$  respectively,  $p < 0.05$ ).

### 7.5. Hypothesis Testing

We propose to test 2 sets of theoretical arguments in this study. These hypotheses were tested using hierarchical linear modeling. The analyses were conducted using SPSS 15.0. Tables 9 and 10 show the results for the three tests.

**Table 9. Hierarchical Multiple Regressions for group diversity effectiveness outcomes (Bonus) moderated by context (main effect)**

	Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
Step 1	Group Size	.240	.217		1.104	.275
	Average employee tenure	.054	.026	.291	2.066	.045
Step 2	Group Size	.430	.379		1.132	.264
	Average employee tenure	.040	.028	.218	1.432	.160
	Gender Diversity	.167	.383	.095	.437	.664
	Age Diversity	1.285	.916	.291	1.403	.168
	Tenure Diversity	-.270	.295	-.175	-.916	.365

	Ethnic Diversity	-.360	.376	-.191	-.958	.344
Step 3	Group Size	.691	.935		.739	.464
	Average employee tenure	.042	.030	.226	1.390	.172
	Gender Diversity	.155	.407	.088	.381	.706
	Age Diversity	1.246	.983	.282	1.267	.213
	Tenure Diversity	-.270	.316	-.175	-.854	.398
	Ethnic Diversity	-.354	.396	-.188	-.895	.376
	Mean People oriented context	-.058	.201	-.044	-.287	.776
	Mean Competition Oriented Context	.014	.190	.012	.072	.943
	Mean Growth Oriented Context	-.030	.250	-.018	-.118	.907
Step 4	(Group Size)	1.300	1.221		1.065	.294
	Mean employee tenure	.029	.032	.155	.903	.373
	Gender Diversity	-.143	.476	-.081	-.301	.765
	Age Diversity	-.551	1.773	-.125	-.311	.758
	Tenure Diversity	-.587	.420	-.380	-1.397	.171
	Ethnic Diversity	-.419	.411	-.222	-1.019	.315
	Mean People oriented context	-.050	.266	-.039	-.189	.851
	Mean Competition Oriented Context	-.295	.346	-.252	-.852	.400
	Mean Growth Oriented Context	.142	.319	.089	.446	.658
	Gender x age x tenure x ethnicity	14.793	21.045	.545	.703	.487
	Age x competition x gender x completion x ethnicity x competition x Tenure x competition	.331	.352	.283	.942	.353
	Age x growth x gender x growth x ethnicity x growth x tenure x growth	.453	2.958	.037	.153	.879

Dependent Variable: Bonus; (N = 48)

**Table 10. Hierarchical Regression Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.291(a)	.085	.065	.46065
2	.401(b)	.160	.061	.46175
3	.403(c)	.163	-.009	.47858
4	.470(d)	.221	-.047	.48735

Tables 9 and 10 show the results of the hierarchical regression model used to test the hypotheses. The test was predicated on the performance variables of employee productivity and performance bonus. The test however did not find significant statistical results when employee productivity was used as dependent variable.

**Hypotheses 1.** Hypothesis one predicts that workgroups that are demographically diverse are likely to be less effective in workgroup contexts that emphasize competition oriented cultures than in contexts that do not emphasize competition-oriented cultures. Step 4 of the hierarchical regression analysis indicates that the relationship between diversity moderated by competition oriented work context and organizational effectiveness is not significant. Hence, no support for this hypothesis was found.

**Hypothesis 2.** The second hypothesis claims that workgroups that are demographically diverse are likely to be more effective in workgroup contexts that

pursue growth oriented business strategies than in contexts that do not pursue growth-oriented business strategies. The result of the hierarchical regression analysis did not provide support for this hypothesis.

There was no result for the test regarding diverse groups operating in a competition oriented cultural context. It is probable that the reason for this is due to the inherent conflict of interest engendered by competition-oriented environments. Participants of the field survey were mostly marketing groups who are given account targets individually and as a group. However, the bank's performance appraisal policy emphasizes individual goal achievement. Thus, members within such groups can be seen as a constellation of individuals working independently with only necessary minimal interaction with one another. The social categorization diversity theory assume that negative effects of diversity can be attributed to conflicts that arise from negative stereotypes or biases and escalates as group members interact within their in-group (Williams & O'Reilly, 1998).

Also, the hierarchical regression analysis test did not show that growth oriented strategy moderates diversity's impact on organizational effectiveness. This may also be an overriding effect of competitive culture of workgroups in the marketing department, which was highlighted above. Similarly, the results did not show moderating effects of workgroup contexts for group diversity in age, gender, ethnicity, and tenure. One possible reason for this is that the workgroups are already existing groups and have been working together for some time. Besides, the demographic statistics show that group members are in the prime of their work life. As a result, age, ethnicity, gender, and tenure may have become less relevant and important (Harrison, Price, Gavin, & Florey, 2002).

## **8. SUMMARY OF FINDINGS, RECOMMENDATION AND CONCLUSION**

### **8.1. Summary of Findings**

Overall, we did not find empirical support for the two propositions about workforce diversity's impact on organizational effectiveness. However, the study found significant correlations between some of the diversity variables, as well as individual diversity variables with the measures of organizational effectiveness. The field study showed that gender is negatively related to both employee productivity and performance bonus, but is significantly related to employee productivity. Age is positively related to employee productivity, and it is significantly positive in its correlation to performance bonus. Ethnicity is insignificantly negative in its relationship to both employee productivity and performance bonus. Also, tenure is insignificantly positive in its correlation to employee productivity, and is not related to bonus.

In addition, the study found that gender, age and tenure diversities are positively correlated, and they are significantly related. However, gender is negatively correlated to group size. Moreover, the study showed that ethnic diversity is significantly correlated with age and tenure diversities. In the same vein, age diversity is significantly correlated with tenure diversity positively. Again, the study found that

though the combined effect of diversity on organizational effectiveness is positive, its impact is insignificant. In terms of the moderating effects of workgroup contexts - competition oriented workgroup culture, and growth-oriented strategy - of diversity factors, the research results indicate that context effect is insignificant.

## **8.2. Recommendation**

Diversity sometimes is associated with effectiveness, other times with negative outcomes, and often it has no effects at all (Webber & Donahue, 2001; Jackson et al, 2003). However, the results of this study suggest that company executives are not likely to see a direct positive relationship between workforce heterogeneity and organizational effectiveness. Instead, the effects are likely to be determined by the strategies a firm pursues and by how organization leaders and participants respond to and manage diversity. Hence, the imperativeness of collaborative research efforts to ascertain the contextual variables that moderates workforce diversity to produce positive performance outcomes. This is so, because of the complexity of the diversity phenomenon and the large volume of data involved in conducting an in-depth study of this phenomenon.

## **8.3. Conclusion**

The result of this empirical study indicates that the impact of workforce heterogeneity on organizational effectiveness when moderated by workgroup contexts is minimal. This singular case study may not be generalized, considering some caveats. The study focused on only four diversity dimensions - gender, tenure, age, and ethnicity - which may have limited the robustness of this research. Each of these diversity attributes measured may also be associated with other unmeasured, but theoretically interesting dimensions of diversity, such as marital status or religion. Also, the sample size used for the study may have accounted in part for the research outcome. These limitations notwithstanding, this field work has enriched the diversity literature, by demonstrating empirically, that there is no causal relationship between workforce diversity and organizational effectiveness.

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