

Workforce Diversity and Organizational Performance: Theoretical Perspective

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Article History

Received: 17.09.2022

Accepted: 22.10.2022

Published: 27.10.2022

Abstract: The focus of this paper was on addressing the relationship between workforce diversity and organizational performance. The discussion specifically examined diversity forms such as age and ethnic diversity, as manifested within the context of the organization. The equity theory was adopted as the theoretical framework in the discussion on the role of diversity in the performance outcomes of the organization. Notable support from the review of literature was observed in line with existing theories and views on the importance of diversity management for effective and efficient organizational processes, relationships and overall well-being. Through the harnessing and channelling of such variety, companies may choose to use a much more creative approach toward addressing their challenges and problems. In conclusion, it was stated that workforce diversity provides a more elaborate framework enriched with a variety of perspectives, ideas and functional dispositions that when effectively tapped and harnessed by the organization, impacts positively on its level of performance – sustaining collaboration between the groups, enhancing organizational processes and supporting the achievement of the organization's objectives and goals.

Keywords: Workforce diversity, organizational performance, age diversity, ethnic diversity.

1. INTRODUCTION

Organizations are a microcosm of their societies. This means, organizations mirror and features and changes reflected in their contexts or environment. This shows a significant alignment and synchronicity between the organization's behavior and the elements that define the environment, which is essential for the organization's survival and performance (Lyles, 2014). Therefore, organizational performance focuses on how well the company can adapt to the needs and expectations of its external environment and market through effective resource management and coordination. Organizational performance, according to Abubakar, Elrehail, Alatailat, and Elci (2017), is the organization's expressed well-being in terms of relationships, processes, functions, and even results. Performance is crucial to an organization's success because it provides a broad overview of the organization's capabilities and the pace at which it advances toward its objectives. However, organizational performance is a consequence of various factors, one of which is the extent to which there is collaboration and agreement between the various diverse groups that share the organizations workspace (Negulescu, 2019; Stoyanov, 2017).

The term "diversity in the workforce of the organization" refers to how widely spread and diverse the workforce is in terms of age, ethnicity, religion, and gender (Opstal, 2009). Diversity at the workplace can be useful especially in line with advancing ideas and creative solutions to the organization's problems; however, diversity can also be problematic to the organization, leading to incessant conflict between groups or workers in the organization – thereby disrupting operations and affecting the level of the organizations output. These have a detrimental effect on an organization's performance and ability to meet market demands. Rowe (2010) stated that diversity is misconstrued by a lot of individuals within the workplace as most often approach it from a perspective of difference, competition and the

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CITATION: Felix Oyinbrakemi Welman, Amah Edwinah, Ayanwu Modestus Nwoke (2022). Workforce Diversity and Organizational Performance: Theoretical Perspective. *South Asian Res J Bus Manag*, 4(5), 198-202. 198

issue of superiority. Nevertheless, as the author (Rowe, 2010) pointed out, diversity is a state of variety that may be successfully harnessed and structured to advance the interests of the organization, emphasizing its values over those of specific groups within the company.

A vast number of studies have addressed the issue of workforce diversity and organizational outcomes of performance (Finn, 2015; Gelner & Stephen, 2009; Kyalo, 2015). Most of these studies have however approach the subject from a conflict-based theoretical angle. The majority of these studies expressly concentrate on how much competition and conflict arise between groups as a result of their differences and distinctive qualities. There hasn't been much discussion of workforce diversity from the standpoint of the equity-based theoretical framework, which primarily evaluates how well group comparisons and relational interpretations of treatment take into account responses and reactions in terms of the behavior of other groups, as well as how well such responses or behaviour are managed so that it positively contributes to the wellbeing and performance of the organization. This paper, thus discussed the relationship between workforce diversity and organization performance, drawing on the equity theory as its theoretical framework.

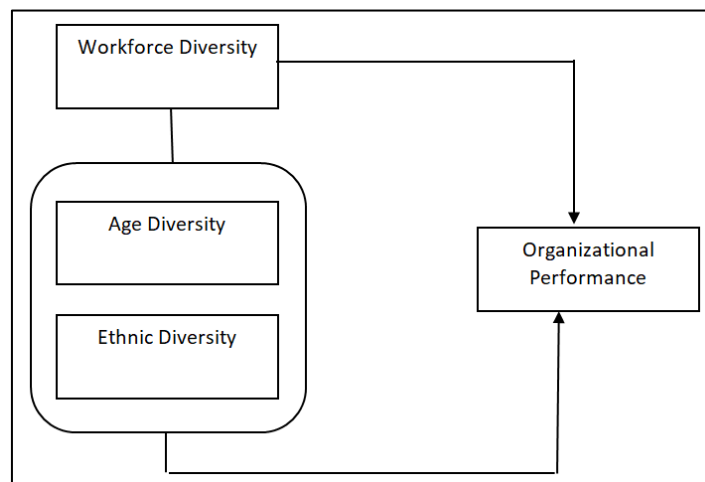


Figure 1: Conceptual Framework for Workforce Diversity and Organizational Performance
 Source: Researcher’s Desk (2022) with dimensions adapted from Barak (2013).

2. LITERATURE REVIEW

2.1 Equity Theory

The equity theory was introduced Adams (cited in Kandpal, 2015) with the view that fairness and equity are very crucial elements of a motivated individual. According to this idea, people are motivated by honesty; therefore if they notice disparities between their own input and output ratios and those of their referent group, they would try to change their input to achieve what they perceive as equality (Adams, 1963 cited in Kandpal, 2015). According to Yousef (quoted in Kandpal, 2015), the equity theory is a theory that focuses on how fair an individual is thought to be. An employee considers the amount of work made and contrasts it with the results. According to this view, workers aim to create equity between themselves and their coworkers. When the ratio of employee outcomes over inputs is equal to the ratio of other employee outcomes over inputs, this equality will be attained. The equity hypothesis is concerned with how people perceive their treatment in comparison to that of others.

According to the theory, workers try to maintain equity between the contributions they make to their jobs—such as education, time, experience, and commitment—and the rewards they receive—such as promotions, recognition, and higher pay—against what they perceive to be the contributions and rewards of other workers. An illustration of this is when workers compare the work they complete to that of someone who earns more money than they do. They might draw the conclusion that the other person is working less and getting paid more than they are (Kandpal, 2015). In this situation, the person compares their effort to compensation ratio to that of another person, which has the effect of demotivating them. People desire to be compensated fairly in comparison to others for their contributions to the company.

2.2 Workforce Diversity

According to Brouwer and Boros (2010), intergroup relations, attitudes toward diversity, and intergroup contact are all important components of workplace diversity. Similar to intergroup connections, which play out alongside one another in communication and interaction and give rise to a variety of difficulties relating to diversity, workplace diversity is defined. According to Barak (2013), diversity is the range or multiplicity of demographic characteristics, notably in terms of color, sex, culture, national origin, handicap, age, and religion, that characterize a company's

workforce. The disparities between persons based on their ethnicity, age, race, gender, religion, sexual orientation, socioeconomic status, and abilities/disabilities are further defined by Alesina and Ferrara (2005). Employees' similarities and differences in terms of their age, race, cultural origin, religion, physical capabilities or impairments, sexual orientation, and gender are referred to as workforce diversity (Cole, 2004). Workforce diversity is defined by Pitts and Wise (2010) as the ways that people differ that may have an impact on a responsibility or allegiance within an organization, like religion, education, and culture.

Workforce diversity is now seen as a fascinating topic in both the workplace and the market on a worldwide scale (Kyalo, 2015). Any company that aspires to be more innovative and successful will have a moral obligation to ensure that workforce diversity is integrated into all aspects of daily operations (Dike, 2013). Understanding how workforce diversity affects organizational outcomes, such as organizational performance, employee happiness, and employee turnover, has grown to be essential for effective management of diversity at work (Cole, 2004). One of the most pressing management concerns in firms across all industries is workforce diversity (Pitts & Wise, 2010). Organizations that value diversity, it is asserted, will undoubtedly develop success and have a future in this competitive global labor market (Cole, 2004). Studies demonstrate the effectiveness and direction of businesses with high degrees of well-managed diversity in establishing corporate cultures that have the novel viewpoints, pioneering abilities, and innovative ideas necessary to thrive (Barak, 2013; Fin, 2015; Kyalo, 2015).

Workforce diversity recognizes that individuals differ in a wide range of visible and invisible characteristics, including age, gender, marital status, socioeconomic standing, handicap, sexual orientation, religion, personality, ethnicity, and culture. Nevertheless, each nation has its own top diversity concerns (Lawler, Chen, Wu, Bae, & Bai, 2011). Primarily, diversity has been divided into major and secondary aspects. The major dimension, which typically shows variances among various people, comprises traits like age, gender, and sexual orientation. These distinctions frequently stand out and have an effect on first meetings. On the other hand, secondary dimensions typically become apparent after repeated interactions with the subjects. These might relate to things like finances, religion, education, location, etc (Dike, 2013). For this paper, only two dimensions are discussed, the age and ethnic diversity (Barak, 2013).

2.2.1 Age Diversity

If the knowledge acquired by the older generation is not transferred to younger professionals, a workforce made up of persons in that age bracket runs the risk of becoming obsolete. A diverse workforce fosters an environment where each generation contributes a range of skill sets (Finn, 2015). Unsuccessfully managing the age variety of a workforce leads to dull and uninspired ideas, traditional views regarding strategies, resistance to change, etc (Barak, 2013). The younger generations contribute solid practical knowledge of modern business technology. They probably have a solid understanding of how to use hi-tech tools and platforms, like social networking and webcasting. Older generations contribute the organization's traditional business knowledge. They can mentor the more junior workers, sharing their knowledge and experiences in the process. In several industrial tasks, there is a link between deteriorating job performance and aging (Suttle, 2016).

There are both positive and negative age stereotypes for both older and younger workers. According to Kunze *et al.*, (2009), organizations must deal with the difficulty of age diversity because it is only natural for people to gravitate toward their own groups at the expense of other groups. Furthermore, they argued that other age groups would experience insecurity, emotional instability, and the emergence of discrimination inside the institutions if one age group advanced major criteria for differentiation. According to Gelner and Stephen (2009), age diversity may negatively affect workers' productivity since different age groups have different beliefs, values, and interests. In general, generational differences are the cause of low productivity, disagreements, and clashes. This is due to the idea that each generation's strengths are unrivaled (Rowe, 2010).

2.2.2 Ethnic Diversity

Sayers (2012) stated that those individuals who enjoy common culture, tradition, customs, routine practice, costumes, beliefs, and values are generally known as ethnicity. According to Makokolo (2005), ethnicity refers to tribal affiliations whose members share a common origin myth and thus a sense of destiny. According to Timmermans, Ostergaard, and Kristinsson (2011), ethnicity could be used as a stand-in for or alternative to cultural background. The members' performances can be unique and imaginative as a result of the ethnic diversity. According to Pitts (2010), institutions are growing more racially diverse, so it makes sense to pay close attention to how different ethnic groups interact at work. It is possible to see ethnicity as a two-edged sword with benefits and drawbacks (Opstal, 2009). Kigłai (2006) asserted that clashes because of traditions may affect quality, outcome and earnings of the organization. Dahlin, Weingart, and Hinds (2005) argued that social categorization and ethnic variety cause friction, confrontations, and collision. According to Benschop (2001), inequality is a disadvantage of ethnic variety. Additionally, Van Esbroek (2008) highlighted that effective management of a diverse workforce is essential to safeguard institutional benefits and get rid of any ethnic diversity weaknesses that can have a negative impact on workers' performance.

2.3 Organizational Performance

Performance represents a state of competitiveness, attained through a level of effectiveness and productivity that ensures its strong presence on the market, considering the multiform and complex interaction between numerous factors (Dragomir & Panzaru, 2014). The actual output or results of an organization as compared to its expected outputs make up organizational performance (or goals and objectives). Organizational performance is a topic of interest to experts in a wide range of disciplines, such as strategic planners, operations, finance, legal, and organizational development (Lyles, 2014). Therefore, performance can be defined as the assessment of the constituents that tries to gauge the aptitude and ability of an organization in meeting the constituents' aspiration levels utilizing efficiency, effectiveness, or social referent criterion (Brix & Peters, 2015). Through financial policies, elements such as technical and technological capacity, equipment quality, know-how, staff qualification, productivity level, etc., influence an enterprise's present and future competitiveness and, consequently, its financial performance (capital accumulation, investment, productive capital management). The performance of the organization is also influenced by internal elements, including the organizational structure and culture, strategy, managerial abilities, employee dedication, and stakeholder involvement. Without a doubt, knowledge management contributes to performance success.

The leadership of the organization bears the primary responsibility for achieving performance since they are expected to make and put into action decisions and strategies that will lead to the achievement of the organization's goals and objectives (Abukabar *et al.*, 2017). An organization is a purposefully coordinated social unit made up of a number of individuals who collaborate on shared objectives on a regular basis. Some examples of organizations are local, provincial, and federal government agencies, schools, hospitals, churches, manufacturing and service companies, retail businesses, police departments, and military units (Robbins, 2005).

To have a comprehensive understanding of an organization's nature, one must be familiar with organizational theories and notions of organizational performance. Numerous models examining organizational performance have been developed as a result of organizational theory; in fact, some academics have said that there are as many models as studies of organizational performance. Due to the subjective nature of the concept of organizational performance, there are currently several definitions attached to it. There isn't a consensus in the literature regarding the standards to be utilized in measuring organizational performance because the definition of organizational performance is subjective (Negulescu, 2019).

2.4 Workforce Diversity and Organizational Performance

Practices for managing workforce diversity improve organizational performance, productivity, effectiveness, and long-term competitiveness (Munjuri & Maina, 2013). Workforce diversity management can be utilized to bring together individuals with various perspectives in order to boost productivity. When organizational policies are effectively put into practice (through effective workforce diversity management), it can boost business performance, employee happiness and loyalty, competitive advantage, and linkages to multicultural communities (Davis, Frolova, & Callahan, 2016). (Beauregard & Henry, 2009) have found that work force diversity management fosters creativity, inventive problem solving, and productivity through sharing of varied ideas and viewpoints. This in turn favorably effects organizational behavior and effectiveness. According to Opstal's 2009 analysis into the relationship between workforce diversity management and performance, more innovative businesses intentionally build heterogeneous teams to tackle problems, as seen by the employment rates of women and members of underrepresented groups.

3. CONCLUSION

The magnitude of diversity expressed within the organization's workforce, poses both as an advantage, if managed and effectively channelled, and as a disadvantage, if poorly managed or coordinated. In terms of a wide range of experience, talents, role interpretations, and approaches to work or tasks, diversity broadens the organization's possibilities and features. In this vein, workforce diversity provides for improved creativity and learning within the workplace. Members from different groups and backgrounds, when they collaborate, are able to offer a more comprehensive interpretation and approach toward the organizations problem or challenges. Workforce diversity therefore provides a more elaborate framework enriched with a number of perspectives, ideas and functional dispositions that when effectively tapped and harnessed by the business, impacts positively on its level of performance – sustaining collaboration between the groups, enhancing organizational processes and supporting the accomplishment of the organization's objectives and goals.

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