

EXPLORING THE RELATIONSHIP BETWEEN WORKPLACE DIVERSITY AND BUSINESS PERFORMANCE

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Abstract

The purpose of the study is to evaluate the research on how workforce diversity including gender, age, color, and culture affects business performance. In order to determine the relationship between the chosen variables, several empirical studies have been evaluated in which various statistical models have been used to data from various kinds of organizations spanning continents and countries. Between 2000 and 2021, the review technique is used to examine the research on how workforce diversity affects organizational performance. The literature evaluation indicates a substantial relationship between organizational success and worker diversity. Furthermore, this study comes to the conclusion that workforce diversity has a greater beneficial effect on organizational performance than a negative one. Additionally, if diversity in the workforce is balanced properly, it may be fruitful. However, a small number of research found that workforce diversity had no discernible impact on organizational performance.

Keywords: Workforce diversity, Organizational performance, Diversity management.

INTRODUCTION

Diversity in the workforce has emerged as a key strategic tenet that many businesses believe is necessary to promote justice and equity in the workplace. The workforce's emergence is primarily due to the equal opportunity concept, which guarantees that diversity may be beneficial to increase organizations' efficiency and effectiveness rather than causing them to lose talented individuals because of these disparities. Additionally, the diversity of the workforce is growing as more people work abroad as a result of immigration and globalization, and locals who have never traveled overseas must interact with people from different cultures and backgrounds in their workplaces.

As a result, workplace diversity has been a complicated issue. The emergence of globalization has made workforce diversity defined as the existence of many characteristics among employees a popular issue among managers and organizational scholars. The

existence of both similarities and differences among members of an organization with regard to gender, age, color, culture, handicap, and physical abilities is referred to as diversity.

Organizational performance is the ultimate dependent variable for researchers who are interested in almost any aspect of management. Due to market competition for customers, inputs, and capital, organizational performance is essential to the contemporary corporation's existence and profitability.

As a result, the build is now the main goal of modern industrial activity. The contribution to organizational performance serves as the last criteria for assessing marketing, human resources, operations management, and strategy. Managers and academics need to quantify it in order to evaluate individual management choices, a business's competitive position, and the performance and development of a firm over time. The benefits of diversity for an organization have been shown in a number of studies, including those pertaining to role stress, organizational commitment, retention, and creativity.

However, as shown by Choi & Rainey, employee diversity may negatively impact an organization's overall performance. In relation to age, gender, culture, race, and ethnicity diversity, the following scholars have conducted a great deal of study to examine the impact of workforce diversity on organizational performance. However, the current investigations have not shown any clear proof. This review article will conduct a comprehensive evaluation of research conducted over the last 20 years to investigate the effects of age, gender, culture, race, and ethnic diversity on business success.

LITERATURE REVIEW

The findings of earlier research on the effect of worker diversity on organizational performance are not entirely consistent. Further research on the connection between diversity and performance is necessary to elucidate the impact that workplace diversity has on organizational performance. The literature review is the next component of the study. The methodology comes next, then the findings and discussion, and finally the conclusion and suggestions.

Mahadeo, Soobaroyen, and Hanuman (2012) shown via a cross-sectional archival that age diversity has a beneficial impact on the return on assets of forty-two Mauritius enterprises. Research on 95 US S&P 500 businesses found that age diversity negatively impacted corporate social performance. In a similar vein, Lu, Chen, Huang, and Chien evaluated 93 German businesses with 14,260 workers and came to the conclusion that age diversity boosts and creates the efficacy of the human resource system, which will acquire and develop the resources to have desirable behaviors that eventually help to improve an organization's

performance.

De Meulenaere, Boone, and Buyl (2016) were interested in determining the effects of age diversity in Belgium. They used a panel data estimation technique and a sample of 5892 organizational observations to arrive at the conclusion that age diversity improves a firm's performance if it is large and has high job security.

The findings of a study conducted on 100 publicly traded non-financial Malaysian businesses showed a strong and positive correlation between the performance of the selected companies and ethnic diversity. However, research that surveyed 743 employees from 131 US banks found that ethnic diversity had a detrimental impact on the tested institutions' performance. However, it suggests that the work experience of the members of the work unit and the unit's performance may be enhanced by avoiding issues associated with possible status disparities (Leslie, 2017).

METHODOLOGY

The purpose of the research is to look at how workforce diversity affects business performance. Age diversity, gender diversity, cultural diversity, racial diversity, and ethnic diversity are workplace diversity aspects. To identify the relationship between employee diversity and organizational performance, a literature review technique has been used for this objective. This makes it difficult to keep up to date with best practices, stay on the leading edge of research, and assess the body of evidence in a particular area of business research.

As a result, the literature review is now a more valuable research method than before. Many databases, such as Google Scholar, Science Direct, Wiley Online Library, Elsevier, etc., were used to locate the studies about workforce diversity and organizational success. Although there are numerous factors that affect the workforce, this review article concentrates on age, gender, color and ethnicity, and culture. Keywords such as age diversity, gender diversity, cultural diversity, racial diversity, ethnic diversity, and organizational performance have been used to locate research publications on the subject. Additionally, organizational performance, age, gender, culture, race, and ethnicity are the keywords for this article. The majority of the publications in the research were released between 2000 and 2021.

RESULTS AND DISCUSSION

Age Diversity and Organizational Performance: The extent of age differences among employees within a group, company, or organization is known as age diversity. Because so many workers in firms are over 45 or 50 years old, age diversity is a major problem in the workplace. For instance, a survey found that 30% of the working class is over 50, and that number is expected to rise by 10% over the next 20 years. Around the world, there is a

growing age variety in the workforce, forcing younger workers to collaborate with more senior staff members. Therefore, in order to improve the performance of the organization, managers will need to comprehend and handle difficulties pertaining to the age gap. Age variety has a good effect, according to some research, but other studies find the reverse.

Positive Impact: Employee productivity and profitability may be increased by increasing creativity, decision-making quality, problem-solving capacity, and efficiency via age variety and age-related knowledge. In a study of 78 Ugandan manufacturing enterprises, Akisimire, Masoud, Baisi, and Orobias found that younger board members did worse than senior ones. It also came to the conclusion that a company's financial performance is positively and significantly impacted by age diversity.

Negative Impact: Conversely, worker productivity is negatively impacted by age-based value disparities. Issues like in-group bias and out-group stereotyping and prejudice may make it difficult for workers of various ages to work together, communicate, and be cohesive, which can lead to conflicts. Age diversity may have a detrimental effect on the production of the company in this manner, and synergies are not reached. According to L. Indiasyte, Avery, Parker, Wang, Johnson, and Crepeau, a higher age diversity resulted with worse team performance when team agreeableness was low. Joseph concluded that there is a negative correlation between performance and age diversity after conducting a survey and consulting existing research.

According to the National Basketball Association panel data research, the best players did well on teams with little age diversity and badly on teams with a lot of age variety. According to Mothe and Nguyen-Thi's analysis of data from the Luxembourg Employer Survey and Luxembourg Longitudinal Linked Employer-Employee Data, businesses with polarized age groups lose out on the performance advantages of age diversity. According to research by Talavera, Yin, and Zhang that examined all businesses listed on the Shenzhen Stock Exchanges between 2005 and 2015, age diversity was more damaging to government enterprises than to privately owned ones. In a meta-analysis of 146 research, Van Dijk, Van Engen, and Van Knippenberg investigated the negative relationship between age diversity and performance. In a similar vein, Kunze, Boehm, and Bruch conducted research including 147 organizations and, using structural equation modeling, came to the conclusion that an increase in age discrimination results in worse organizational performance the more diverse the workforce.

Gender Diversity and Organizational Performance: Women's rights have led to an increase in the number of female workers worldwide. The impact of gender diversity on a

company's success may be seen in two ways. One considers how gender diversity influences people's perceptions of organizations in general, including their reputation, image, and market value, while the other considers how it impacts management and staff, increasing productivity and profitability for the company. Numerous studies indicate that gender diversity fosters improved hiring procedures, global connections, and a more comprehensive comprehension of the corporate environment. But according to other research, it may cause disagreements and slow down the decision-making process, which makes it harder for companies to respond quickly to market shocks. Lower company performance and value destruction may follow from this.

Positive Impact: It was shown using data from 240 YMCA groups that although fundraising performance declined with increasing gender diversity, social performance improved. In order to investigate the effect of gender diversity on return on assets and the market-to-book value ratio for Australian firms, Bonn, Yoshikawa, and Phan conducted research on 104 industrial enterprises in Australia. Using 793 final observations, Nguyen & Faff found that gender diversity had a favorable impact on the market value and return on assets of the 500 biggest Australian companies. Using 408 observations and 68 Spanish firms, it was discovered that there was a positive correlation between gender diversity and corporate market value. Additionally, a cross-sectional, archival research was conducted, and the results showed that gender diversity improved 42 Mauritius businesses' return on assets. Similarly, Ali, Ng, and Kulik used the Competing Linear and Curvilinear Predictions test on 288 big companies listed on the Australian Securities Exchange, and the findings demonstrated that gender diversity was positively correlated with organizational success. Hafsi & Turgut discovered a favorable correlation between corporate social performance and gender diversity in a study of 95 S&P 500 businesses in the United States.

Negative Impact: Unbalanced panel data from 1996–2003 was applied to the data of 1939 US corporations by Adams & Ferreira. Gender diversity has been shown to negatively impact a company's return on assets and market value. Researchers gathered information from 432 US corporations to ascertain how gender diversity affected share price and profit. Gender diversity was shown to have a negative effect on stock value and no effect on the selected firms' earnings. Using data from all listed Norwegian companies that are subject to the GBL, Bøhren & Staubo came to the conclusion that a firm's performance declines as gender diversity rises. According to Bennouri, Chtioui, Nagati, and Nekhili (2018), 394 French enterprises' market-based performance was shown to be considerably impacted adversely by gender diversity.

Insignificant Impact: Using an archival technique with a one-year time lag, Bonn, Yoshikawa, and Phan examined 169 Japanese manufacturing businesses and concluded that gender diversity had no discernible impact on Japanese companies' performance. In a similar vein, Mari Muthu & Kandasamy used OLS regressions to examine data from 100 publicly traded non-financial Malaysian firms from 2000 to 2006. It has been shown that gender diversity and company performance do not significantly correlate. Hassan, Mari Muthu, and Johl (2017) examined data on the board members and financial results, such as ROA and ROE, of 60 large Malaysian publicly listed firms from 2009 to 2013. The research came to the conclusion that gender diversity had no discernible effect on organizational performance.

Racial Diversity and Organizational Performance: The presence of personnel of several ethnicities rather than just one is known as racial diversity. The data demonstrated that racially diverse groups were more advantageous for decision-making tasks than racially homogeneous ones. Furthermore, racially diverse groups provide more options and a wider range of ideas than homogeneous groups while developing and executing the plan. But according to Roberson & Park (2007), a rise in ethnic diversity led to a drop in business performance.

Positive Impact: Management teams may be inspired to develop more unique and innovative ideas and solutions by the many perspectives that racial diversity brings. Racial diversity may enhance organizational performance in situations when positive team relationships are crucial. In a similar vein, Richard employed 191 workers from a sample of 574 banks located in North Carolina, California, and Kentucky. According to the study's findings, racial diversity improved the firm's performance in the banking sector and added value in terms of performance, return on equity, and market performance. Using a sample of 143 US legal firms, Smulowitz, Becerra, and Mayo (2019) found a positive correlation between racial diversity and the experimental businesses' profitability.

However, it could not affect upper management in the same way. According to a study of 247 boards conducted by Fredette & Bernstein (2019), racial diversity enhanced board performance in terms of organizational responsiveness, stakeholder involvement, and fiduciary performance. The ethnic diversity in upper and lower management had a good effect on the productivity of the selected high-tech company. It was also shown that firms with a higher level of ethnic diversity in their top management were more productive than those with a lower level of diversity. Sharma, Moses, Borah, and Adhikary (2020) used a Fortune 2000 sample and an independent regression model to show that racial diversity enhanced the selected firms' financial performance, including return on assets.

Negative Impact: Timmerman gathered information from 1,082 baseball and 871 basketball club professionals, respectively. The results showed that ethnic diversity is irrelevant to baseball team success and negatively impacts basketball play. The performance results showed no correlation with racial diversity. In contrast to balanced minority representation, which might enhance an organization's performance, another research, which included a sample size of 129 to 204 US agencies, found that increasing minority participation had a negative impact on objective attainment. To identify the part that employee and R&D productivity played in the link between racial diversity on the board and company success, Vairavan & Zhang chose to adopt a mediation analysis technique. The results of the research showed that the ethnic diversity of the board had no direct effect on the firm's performance.

Ethnic Diversity and Organizational Performance: Mixed results have been found regarding ethnic variety; some research claim that it may foster creativity and improve financial performance, while other studies contend that it can lead to conflict and erode social cohesiveness.

Positive Impact: Two American teams, 75 of which were ethnically diverse and 90 of which were not, were selected in order to show that ethnically diverse teams outperformed non-diverse teams on the project tasks. Using data from public schools in Texas, Pitts and Jarry came to the conclusion that, whereas ethnic diversity among teachers regularly had a negative influence on organizational performance, it had no effect on management success. Rasul & Rogger evaluated the completion rate of 4700 public projects and polled almost 4,000 bureaucrats. It was determined that the completion rate of public projects in Nigeria increases by 9% for every unit of ethnic diversity bureaucrat.

After ten years of recruitment, the English and Welsh police services' 1999 hire of new ethnic minority officers resulted in a considerable drop in crime rates. Additionally, ethnic variety improved public perceptions of fair treatment in particular and decreased the number of public accusations of corruption. Using a sample of 258 South African higher education employees, it was discovered that ethnic diversity had a positive and substantial impact on employees' performance. Ethnic diversity has no effect on staff performance, according to a multimodal regression model research conducted on four commercial banks in Naples.

Negative Impact: Their performance suffered as a result of the ethnic variety in the Maryland public school system. There was no relationship between ethnic diversity and the Kisumu Law Courts' efficacy in Kenya. Using two-stage Heckman correction models, another research that covered all US equity REITs suggested that ethnic diversity had a detrimental effect on equity REITs' operational performance. According to a different survey

that included 508 respondents from federal health facilities, the rise in ethnic variety led to a lack of unity and cohesiveness among the staff.

CONCLUSION

The study comes to the conclusion that organizational performance is greatly impacted by diversity in terms of age, gender, culture, race, and ethnicity. Furthermore, it was shown that a company's performance was more positively impacted by workplace diversity than negatively. Although variety provides advantages and benefits for performance and creativity, a balanced approach to staff diversity is necessary since, if it surpasses a certain threshold, it may have detrimental effects rather than beneficial ones. Few studies, meanwhile, found that workforce diversity had no discernible impact on organizational performance. Other workforce diversity criteria, such as sexual orientation, religion, and abilities, are not included in the present research. Future research in this area may include these elements of workforce diversity. Additionally, the staff may boost company performance and creativity. As a result, businesses should use these tactics to handle their diverse staff. It is advised that further research be done on workforce diversity management and strategies for handling staff diversity.

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