

A systematic literature review of managing workplace diversity for sustaining organizational competitive advantage

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A SYSTEMATIC LITERATURE REVIEW OF MANAGING WORKPLACE DIVERSITY FOR SUSTAINING ORGANIZATIONAL COMPETITIVE ADVANTAGE

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ABSTRACT

Objectives: *The purpose of this study is to review workplace diversity at literature and to explore how workplace diversity improves employees' performance and organizational effectiveness.* **Methods:** *A systematic literature review is conducted using electronic database searching to find articles that identify and describe the characteristics of workplace diversity and organizational performance. The final sample of 12 empirical and conceptual studies of last 8 years are scientifically identified and synthesized.* **Results:** *There are five different perspectives introduced on how workplace diversity benefits employees and supports organizational performance based on the extant literature: (a) workplace diversity promotes work and cost relationship effectively by using the better talent of employees; (b) workplace diversity enhances customer relationship; (c) workplace diversity improves creativity, flexibility, and innovation; (d) workplace diversity reduces the costs associated with turnover, absenteeism, and lawsuit; and (e) workplace diversity promotes development and sustainable business advantage.* **Conclusion:** *This systematic review study presents a comprehensive framework for delineating positive impact of workplace diversity for the benefit of practicing managers, academics, and researchers.*

Key words: Diversity management, benefits of diversity, organizational effectiveness.

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1. INTRODUCTION

The 21st century organizations are strongly influenced by globalization and demographic structure changes of society, which started from the diversity of gender, race, ethnic, profession until religious diversity [1]. Globalization has brought flow enhancement of goods, information, and people. This causes the interaction between individuals, groups and communities become more increasing. Global Economy has improved the flow of goods, as well as Global Communication enhance the flow of information and Global Migration increases travel rates by expecting to get a better life related to employment, education and health [2].

Globalization is the process that is shaped by a very rapid technological development, which indicates that globally workers should have adequate skills, adaptable with technology, and has ability to interact with diverse communities, both locally and globally [3]. This situation encourages organizations to not only require skilled labor and trained but also need intercultural collaboration skill within the organization. Organization which is able to embrace and manage a diverse workforce is effectively able to improve innovation and creativity of the organization, and be able to reach more people and customers, which in turn will gain competitive advantages and increase profitability.

The recognition on diversity is a reality in the workforce which has produced a number of great activities over the years among leaders in business, government, and civil society [4]. In the research on diversity at the group level, the results showed that diversity has a positive impact on organizational effectiveness, where a very diverse team work perform better than less diverse group in certain conditions, especially related to creativity and job satisfaction [5, 6]. Furthermore, individuals who come from different background merge themselves into the group perspective on how to complete tasks and have access to different resources to improve creativity and performance and lead to more attractive workplace and higher job satisfaction [7].

The researchers who have studied the diversity management by using business case approach concluded that workforce diversity management effectively in an organization has a positive influence on the organizational success [8-11]. However, some researchers who studied the cases in public administration criticized the business case approach to the management of diversity by revealing the fact that diversity management has moral aspect, social, and legal [12]. Based on this debate, Bell [13] stated that inequality and poverty in the community are often experienced by minority groups and women, where the exception of minorities and women in the organization lead to moral and social issues. Therefore, reducing discrimination, poverty, and inequality will provide benefits that can be experienced not only in the organization but also in overall society.

2. LITERATURE REVIEW

2.1. Diversity

The term of diversity has become an evolving concept, either specifically (focusing on individuals) and contextual (which is defined through the social construction) [14]. Diversity as a concept basically refers to minority and female workers in 1970 [15], but over time it has changed quite extensively in the next decade, which includes diversity of age, disability, sexual orientation, religion, social class, education, national origin, and language [16, 17]. Therefore, researchers generally adjust the characteristics of diversity in four main fields such as personality (e.g., traits, skills, and abilities), internal characteristics (e.g., gender, race, ethnicity, intelligence, sexual orientation), external characteristics (e.g., culture, nationality,

religion, marital status or elderly), and organizational characteristics (e.g., position, department, and union) [18].

2.2. Diversity Perspective

Thomas and Ely [12] divide three different perspectives about organizational approach on diversity, namely: (1) discrimination and justice paradigm, (2) access and legitimacy paradigm, and (3) integration and learning paradigm. These paradigms refer to the normative belief of members in organization and their expectations about the reason of diversity, value of diversity, and its relationship to the work.

Discrimination is the practice which certain employees are treated based on skin color, ethnicity, or gender and not because of their skills, while justice is an idea to treat all of employees equally without bias. The goal of discrimination and justice paradigm is to increase the number of workers from underrepresented groups within an organization. Therefore the benefit of this paradigm includes increasing demographic diversity within an organization, which can promote fairly treatment [12].

The second paradigm is access and legitimacy. This paradigm refers to organization that takes advantage from the diversity of their workforce by promoting access to diverse customer segments to gain legitimacy in marketing new products or services on the client. Organizations can reach these clients by matching the organization demographics to the consumer or critical group [12]. One of the benefits of this paradigm is the motivation-based-market and potential competitive advantages which support the organization.

The third paradigm is integration and learning. According to this paradigm, knowledge, skills, and experience of employees is developed to think the major tasks, and to redefine markets, products, strategies, and business practices to advance the vision of organization. The purpose of this paradigm is to learn from mistakes in the previous paradigm in order to maximize the output of organizations and at the same time to show the group of minority employees that their skills and talents are used and valued properly [12].

2.3. Diversity Management

The concept of diversity management was first presented by R. Roosevelt Thomas, Jr. in 1990 by defining it as a comprehensive management process in which the ideal environment is developed for all employees, regardless of race and gender [19]. Diversity management has various connotations, but mainly it refers to the voluntary actions of organizations which are designed to produce the influx process of employees from different background with formal and informal organizational structures through policies, events and specific initiatives [16, 20-27].

Management of diversity includes various practices of human resources such as policy statement of diversity, actively recruitment, training and development, compensation, management accountability, and support for community. All of these practices are considered very important for advancing the group of minorities [28]. Cox [29] defines management of diversity as a number of organizational practices in managing people to maximize the potential of diversity that exists within an organization. Furthermore, Cox and Blake [30] view management of diversity as policies to recruit and retain talented people who come from different background.

The traditional approach regarding diversity includes several factors such as race, gender, age, and physical abilities which are determined by birth. While the contemporary approach

regarding diversity is more inclusive and assumes that all of the factors that make an employee is different from others can be changed over time [31]. The new approach regarding diversity assumes that some factors such as job background, income, marital status, military experience, political belief, geographic location, and education as the matter of constantly changing [32].

2.4. Benefits of Diversity

A total of 12 articles of last 8 years were identified, which presented in Table 1. The literature was varied in terms of country of origin, giving a range of findings from managing workplace diversity. Diversity provides many benefits to an organization in several ways. Firstly, recruitment of diverse employees increases supply of employees and potential applicants that can result greater choice, higher quality and lower cost [33]. Secondly, the diversity of labor encourages individual performance, increasing productivity and job satisfaction in the company, reducing turnover, recruitment and training costs [34]. Third, higher job satisfaction of diverse employees improves the quality of interaction between employees and customers [35]. Fourth, diverse workforce provides comprehensive access to new networks and expands resources [36]. Fifth, the idea of diverse produces creativity and innovation at group level [37], and the sixth, better cultural appropriateness between service personnel and the customer is able to enhance experience and customer satisfaction [38].

According to Mullins [8] and Daft [31], there are some positive effects of employees diversity in an organization, namely: (1) workplace diversity promotes work and cost relationship effectively by using the better talent of employees; (2) workplace diversity enhances customer relationship; (3) workplace diversity improves creativity, flexibility, and innovation; (4) workplace diversity reduces the costs associated with turnover, absenteeism, and lawsuit; and (5) workplace diversity promotes development and sustainable business advantage. Employee diversity not only offers many benefits to the organization, but also establishes new challenges for managers. Some of these challenges according to Luis et al, [32] are: (1) right to appreciate the diversity of employees; (2) balancing the individual needs of people and group justice; (3) dealing with resistance to change; (4) ensuring group cohesiveness and open communication; (5) avoiding resentment and backlash of employees; (6) maintaining respect for the performers; and (7) maximizing opportunities to grow for all members of organization.

There are many approaches have been proposed in the literature regarding how to deal with diversity in the organization, particularly related to cultural, such as by inserting diversity committee, multicultural work group, advocacy group, language classes, intercultural training and diversity workshop. Handling diversity can also be instilled through training, personnel development, formal recruitment, selection and assessment, mentoring or coaching [25]. Konrad and Linnehan [39] in their study reported that when organizations implement the practices of human resources which includes awareness of identity (for example, actively targeting minority group), the more presence improvement of women and minorities in management. Likewise, Holzer and Neumark [40] found that the increasing number of diversity practices in recruitment generate more women employees and minority in the organization, in result providing the opportunities to be leaders in the future.

Table 1 Significant empirical studies of workplace diversity

Author	Sample	Key findings
Smith and Joseph (2010)	42 African-American and Caucasian men and women in corporate America.	There are some challenges supported a priori assertions of organizational culture, discrimination/ stereotyping, and human capital investments. Each of these challenges impacted members in qualitatively different ways that may account for the variability in work experiences and outcomes, and demonstrated significant within race and between gender differences.
Waight and Madera (2011)	186 Caucasian students' majoring in hotel and restaurant management	Diversity training at the workplace has a significant effect for ethnic minorities' job satisfaction, perceived workplace discrimination, and turnover intentions. Perceived workplace discrimination furthermore mediates the relationship between job satisfaction and turnover intentions.
Rao (2012)	4 CEOs of U.S. multinational firms, and 2 Indian MNCs.	Religious diversity in India has created much political conflict and bloodshed in society at large, but many differences have been reconciled in the workplace over time.
Reeves et al. (2012)	79 females of U.S. healthcare professional organization for Muslims.	Muslim women have a wide variety of views in terms of the hijab and adherence to Islamic precepts. Those who wear hijab report negative experiences of intolerance and discrimination.
Yaghi and Yaghi (2013)	795 employees in 17 public and private sector organizations in the UAE between February 2011 and March 2012.	Perception of human resource diversity in the UAE vary by employees' gender, educational level, nationality, professional experience, job level, previous experience in divers workplace, and second language competency. Analysis of employees' responses helped to construct a four-factor model, which can be utilized to improve diversity practices in organizations.
Whyman and Petrescu (2014)	2.500 employees of British Workplace Employee Relations Survey 2011.	There are significant links between WFPs and the employment of non-UK nationals, and these are distinct for non-UK nationals from the European Economic Area (EEA) when compared to non-UK nationals from outside the EEA. The former are more likely to be in "good" employment, with job security, working from home, job autonomy and training. Yet, both types of non-UK nationals are more likely to be employed in workplaces making high use of causal contracts.
Colvin (2015)	243 lesbian and gay officers in law enforcement environments.	Lesbian and gay officers face barriers to equal employment opportunities similar to those faced by women and other minorities in law enforcement, but lesbian officers appear to experience and witness lower levels of discrimination than gay male police officers. Attitudinal bias against lesbian and gay officers remains a significant problem in the force. Lesbian officers report feelings of tokenism at higher levels than gay male police officers.
Kim et al. (2015)	500 employees in one industrial area of Korea.	Female workers report a more favorable perception of diversity management practices than did male workers. Diversity management is positively and significantly related to organizational commitment, which in turn improves in-role performance.

A Systematic Literature Review of Managing Workplace Diversity for Sustaining Organizational Competitive Advantage

Davis et al. (2016)	650 managers (325 HR managers and 325 other managers in Sidney, Melbourne and Brisbane.	Workforce diversity is not well understood or appreciated, especially by non-HR managers. Understanding workforce diversity might indicate organizational effectiveness.
Ravazzani (2016)	90 companies and two focus groups with experts and managers included in a list of 150 Italian companies.	An understanding and practice of diversity management in Italy that incorporate compliance and opportunity-oriented aspects, in an interplay between coercion and volunteerism that reflects local perspective and priorities.
Verheij et al. (2017)	6.469 employees of 20 years or older based on the Employee Insurances Implementing Agency's Administration of Dutch.	Diversity approaches are negatively associated with negative treatment, the pro-diversity is most strongly so. Sector differences were less pronounced than expected, although employees across different sectors of employment benefit from both the approaches to a different extent.
Jim and Lee (2017)	415.696 U.S. employees of Federal Employee Viewpoint Survey 2012.	Diversity policy predicts performance less strongly for employees of racial minority than for whites. In contrast, inclusive leadership predicts performance more strongly for nonwhites.

When Kalev et al. [41] examined the different approaches to manage diversity, they found that building responsibility for diversity (e.g., position of diversity officer, committee of diversity, affirmative action plan) is most effective to increase minority managers. The study shows the effectiveness of the diversity practices in improving the representation of women and minorities in the workplace, especially in senior management level. It should be noted that the organizations which voluntarily pursue diversity management, they do it when business objectives coincide with the needs of women and minorities, for example increase profitability and customer base [42, 43].

Surviving organizations in managing diversity believe that diversity is the key for business success. Many studies have shown that entrepreneurs who are committed to increase diversity in workforce will attract greater customer base and increase profitability of the company [44-47].

3. CONCLUSIONS

Despite the increasing globalization, migration and diverse workforce in terms of gender and race, but many organizations have not fully succeeded in integrating women and minorities in the workplace. The success of diversity comes from the simple things and everyday actions which spearheaded and implemented by members at all levels of the organization.

Organizations have to understand that managing diverse workforce is more important than gaining knowledge about race and gender. Managing diversity should be viewed as a perspective that can enhance creativity and organizational growth. Organizations which are capable for embracing and managing diverse workforce is effectively able to improve the innovation and creativity of the organization, and be able to reach people and more customers, which in turn will gain competitive advantages and increase profitability.

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A Systematic Literature Review of Managing Workplace Diversity for Sustaining Organizational Competitive Advantage

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