

# The Effect of Workforce Diversity on Employee Performance: Conceptual Framework

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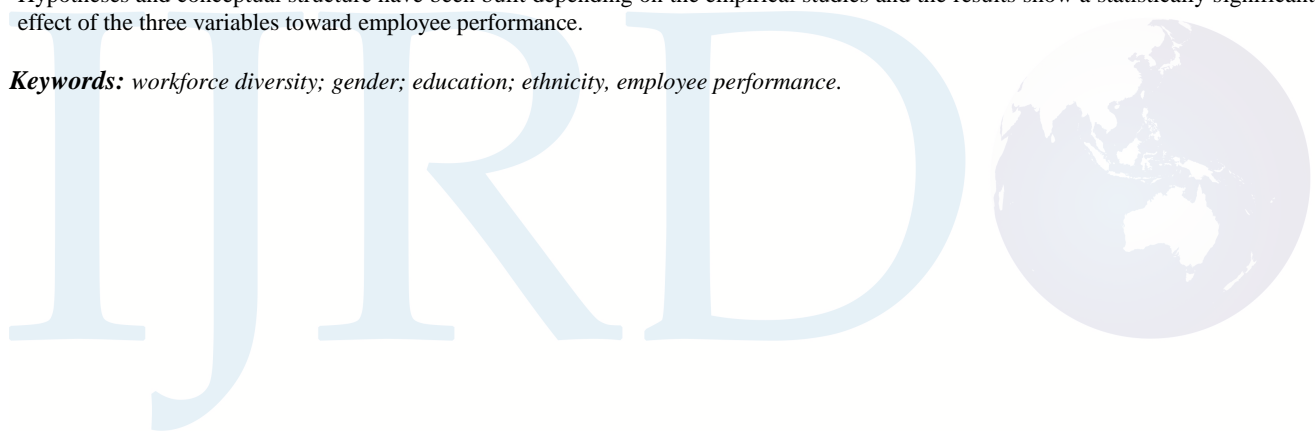
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## Abstract

The subject matter of this paper is workforce diversity. Diversity in the workplace may result in deficient communication and conflict if employers fail to manage it. Many organizations observe gender, ethnicity, and education background as the most commonly diversified demographic variables among its workforce. Accordingly, this paper identifies the conceptual framework adapted to investigate the effect of workforce diversity on employee performance in Al-Madinah International University (MEDIU) in Malaysia. Hypotheses and conceptual structure have been built depending on the empirical studies and the results show a statistically significant effect of the three variables toward employee performance.

**Keywords:** *workforce diversity; gender; education; ethnicity, employee performance.*



## 1. Introduction

The demographics changing in an organization affect the organization's businesses and its financial and non-financial performance. To be effective, organizations need to motivate employees towards more contributing to building this organization. Employees must be aware of and get the most out of the diversity of the workforce.

Understanding how to interact and work with people with diverse backgrounds is even more crucial than just bringing them into the workforce. However, as the role of females and minorities continue to develop in the workforce, organizations that embrace the nation's changing demographics will maximize the benefits and achieve the competitive edge.

Organizations are facing diversity challenges in multiple forms such as demographic changes in manpower integrated with global markets and worldwide rivals that should be managed strategically (Kreitz, 2008). To manage diversity strategically and successfully organizations need human resources managers with essential skills in developing organizations, enhancing leadership skills, developing positive communication and correspondence tools, besides implementing effective assessment process.

To a certain degree, employee diversity does not necessarily lead to innovation or competitive advantage.

Generally, the serious issues of workforce diversity are (i) discrimination issues in terms of ethnicity and gender (ii) inefficient diversity management (iii) high employee turnover rate, (iv) communication difficulties and interpersonal conflicts, (v) negative effect on the organization's profitability, reputation and performance (Weiliang, 2011).

This paper begins with introducing the research problem; second section presents related works and previous studies. The third section discusses the research hypotheses. Finally, a model adapted for this research will be discussed.

## 2. Previous Studies

Related studies have been discussed extensively in our previous work (Al-Ahmad, 2017). It is essential to determine the variables which will help in identifying the independent variables, namely (gender, ethnicity, and education background) relationship to the dependent variable, namely (employee performance).

In addition to identifying the effect of specific variables on employee performance, as well as considering various perceptions toward different backgrounds and groups. Furthermore, the hypotheses will be formulated based on

the relationship between dependent variable and independent variables.

Basically, previous studies suggested that if employee diversity is left unmanaged, turnover rates probably increased, morale may be damaged, and critical communication problems may be merged inside the organization (Roberson and Kulik, 2007).

It is important for any organization to attain diversified workforce; according to Saxena (2014), workforce diversity if managed properly can increase the productivity. Saxena (2014) prepared the following model, considering that human resources are an essence for organizations, regardless of its business type. As per figure 1, workforces can be diverse in terms of age, gender, religion, language, professional qualification, perception, attitude, and geographic region.

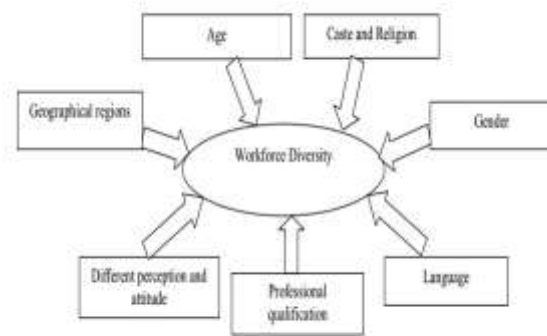


Fig 1. Workforce Diversity Variables. Source: Saxena (2014)

Although managing diversified workforce is a persistent need, it's also big challenge for any organization. It will be difficult for the organization to employ or manage workforces having different age, gender, language, qualification, religion, perception and region (Saxena, 2014).

## 3. Conceptual Framework

Based on previous studies, the researcher realizes the important effect of the three variables of workforce diversity toward employee performance. Accordingly, the research framework has been adapted as per Figure 2.

Throughout the world, firms are interactive in managing diversity. Within the influential factors of business success, there is one shared measure -- individuals. Individuals make profits, build strategies and structures, and develop the economic and social settings in workplace.

Without individuals, there are no managers, no entity, no business, and no growth (Smith, 1998).

The organization's growth in future depends heavily on the ability of managing workforce diversity by bringing innovative thoughts and new perceptions to workplace. However, challenges of workplace diversity can involve benefits for firms if a firm has the ability to take advantage of melting different abilities together.

An organization that combines talented employees of different gender groups, ages, values, abilities, culture and diverse backgrounds, respond rapidly to business opportunities and eventually brought success and creativity (Weiliang, 2011).

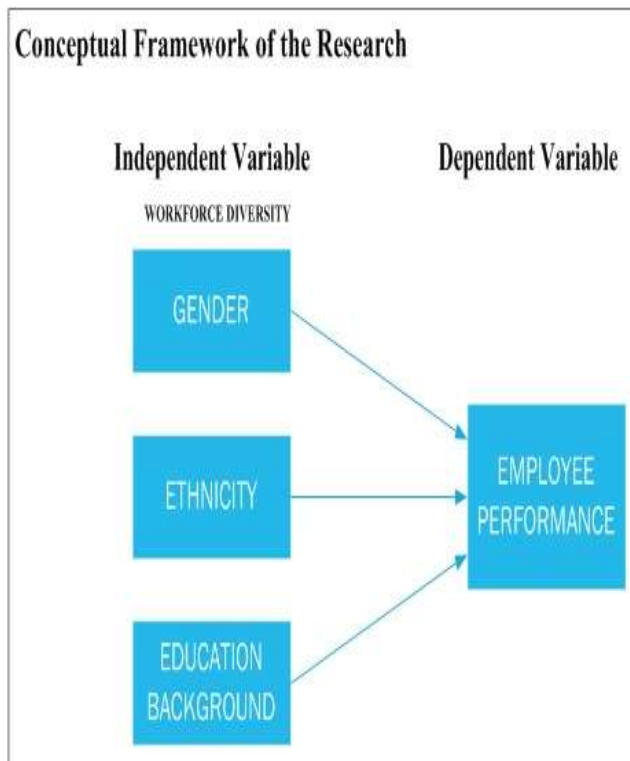


Fig 2. Conceptual Framework of the Research

Since the world today is increasingly diverse, employers must appreciate the essential role of diversity in maintaining competitiveness and enhancing productivity within organizations. Strong commitment and engagement will promote the required cultural environment. Training, education and effective communication are important to implement solid management practices (Weiliang, 2011).

In their book titled Human Resource Development, Patrick and Kumar (2012) stated that employees' contribution on job is a significant factor in business outcomes and progress. The performance of employees in diverse jobs and environments is required for the unit's success. Employees are performing different activities and

tasks in an organization such as marketing, production, customer service, manufacturing, purchasing, distribution, accounting, and external relations. The connection of these activities helps achieving the organization goals and if managed properly it can lead to positive outputs. This will have a great influence on the organization's position in the market, its sales, profit, and progress.

## 4. Hypotheses Development

### 4.1 Relationship between gender and employee performance

The concept of diversity has been expanded and people start recognizing in addition to appreciating demographic variances like gender and how it affects the working relationship between employees toward their performance (Richard, Kochan, and McMillan, 2008). The researcher confirmed that gender diversity had positive effects toward productive group operations and procedures were boosted through diversity- focused human resources practices.

Additionally, (Kochan, Bezrukova, Ely, Jackson, Joshi, Jehn, and Thomas, 2003) found a significant relationship between diversity and group operations, but the nature of relationship connected with diversity among gender groups. Assuring the same point that gender diversity increased constructive group operations and performance.

Moreover, managers need to realize gender differences with regards to job distributions and opportunities. Therefore, management needs to implement various strategies of communication when dealing with different gender, with equal opportunities to create ultimate work environment. Management should be aware that unequal treatment and communication among male and female may result in negative performance in its business (Hack and Lammers, 2008).

On the other hand, some researchers found that these relationships may not hold currently because the nature of women role in employment keeps on changing. For instance, (Lee and Farh, 1999) found no gender influences on justice-outcome relationships; recommended a reason of reducing gender gaps and work values' similarity between male and female (Beldona and Namasivayam, 2006).

Based on previous studies, hypothesis in this research project was formed as below:

H1: There is significant relationship between gender group and employee performance

### 4.2 Relationship between ethnicity and employee performance

According to Pitts (2009) study, organizations become more ethnic diverse, so it is necessary to focus on the interaction of diverse groups in an organization. The workforce in private sector, in specific, becomes more diverse among ethnicity and it is important to manage and understand how ethnic diversity affects interactions in workplace and increases work-related outcomes (Pitts, 2009).

Based on a research by Opstal (2009), ethnic diversity can affect organizations positively or negatively. Nonetheless, organizations should understand how to manage their diverse workforce where it can increase the pros of such diversity and eliminate its cons.

Opstal and Bokstraat (2008) stated that diversity management is essential for organizations to maximize these advantages and minimize its disadvantages that may negatively affect organizational performance.

Advantages in organizations imply more creativity and innovation, wide range of available information and resources, as well as proficient capability and knowledge, and as a result best solutions for problems and decision making (Johnson, Hays, Center, and Daley, 2004).

However, organizational performance should pay attention to both strategic outcomes such as competitive advantage, and the suitable methods of achieving the required outcomes. In sum, ethnic diversity can have both positive and negative effects on employee performance in an organization (Opstal, 2009).

Based on former studies, hypothesis was developed as below:

H2: There is significant relationship between ethnicity and employee performance

#### 4.3 Relationship between education background and employee performance

According to Webber and Donahue (2001), different educational backgrounds and levels seem to influence employee performance positively as it motivates mutual learning with a wider range of cognitive resources and abilities. Another theory about education is related to decision-making and information theory, which implies the influence of delivering mutual information and skills among team members (Wittenbaum and Stasser, 1996).

Engaging employees from different educational levels in the same workplace positively enhances problem solving, creativity and innovation (Pitts, Hicklin, Hawes, and Melton 2010). Considering workforce diversity benefits,

management will work on increasing diversity to assuring innovation and creativity.

Walster, Walster, and Berscheid (1978) stated that education support interactive involvement and build constructive connections. Diverse educational backgrounds resulted in more task-related conflict among team members (Greer and Jehn, 2007). In sum, diversity in education levels can be associated with positive and negative effects on employee performance.

Accordingly, hypothesis was developed as follows:

H3: There is significant relationship between education background and employee performance.

## 4. Conclusions

Literature review of related conceptual models in addition to various views on employee performance provide theoretical basement to support the framework of this paper. Since gender discrimination affects performance of employees, this research is designed to investigate gender discrimination and its effect on employee performance. Studying the moderating effect of gender in previous studies research achieves valuable understanding of gender diversity-performance relationship.

As ethnicity results from several aspects of difference, including culture, race, religion, language and nationality, this research also studies the relationship between performance and diversity in ethnolinguistic groups (aspect of mother language). Open communication with management increases work place happiness, and employees' performance.

Variation in education levels and backgrounds can lead to wider awareness and knowledge since it promotes mutual learning with a wider range of intellectual skills.

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