Review Article

Workforce diversity as a catalyst to organisational climate and productivity: research review

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ABSTRACT

Increasing globalisation, immigration, mergers and acquisition necessitates interaction of individuals from diverse socio-cultural backgrounds across organisations and sectors. Diversity and inclusions in workplace have become a significant issue and a vital area of study in recent times. Managers and executives are trained to think, decide and work in multi-cultural work setting without offending the beliefs and sentiments of a section of society. Diversity in context of culture, customs, gender and beliefs can be manifested to derive the benefits of higher productivity, competitive advantages, and positive work environment. Human resources, being the most valued asset must be handled, supervised and utilised effectively. Strengths in diversity need to be capitalised and the differences should be ignored otherwise it may turn as an impediment towards attainment of organisational goals. The present work discusses the issues of workforce diversity and the related prospects and challenges of the same in organisations. Diversity and inclusions are valued managerial keys and employees hailing from different economic, dialectal, social and cultural background with various sexual orientations must feel welcomed and included.

Keywords: diversity, inclusion, competitive advantage, multicultural, productivity.

INTRODUCTION

Diversity indicates differences. Diversity in workplace encompasses heterogenous composition of employees and workers in context of age, gender, culture, customs, ethnicity and beliefs. With increasing complexities in work, spread of organisations beyond national boundaries, different client base, it is becoming important that the employees can cater to different types of customers with utmost ease and emotional connectivity. Strengths in diversity should be highlighted as it encourages acceptance, mutual respect, and team spirit inspite of differences in social and cultural beliefs, race, gender, communication styles and so on. In a study (Bersin, 2018), it was reported that companies adopting workforce diversity enjoys 2.3 times more cash flow per employee over a study of 3 years. In another study (Mckinsey, 2018), it was found that ethnically diverse companies perform the least ethnically diverse companies by 35 %. The reason behind this being attributed to engrossing of better talent and hence improves customer orientation, employee satisfaction and decision making. Inclusion and diversity in workplace create a positive organisational climate that promotes best talent, positive work practices with a view to promote maximum achievement of organisational objectives. A report published in Harvard Business Review concludes that diverse firms are 70 %
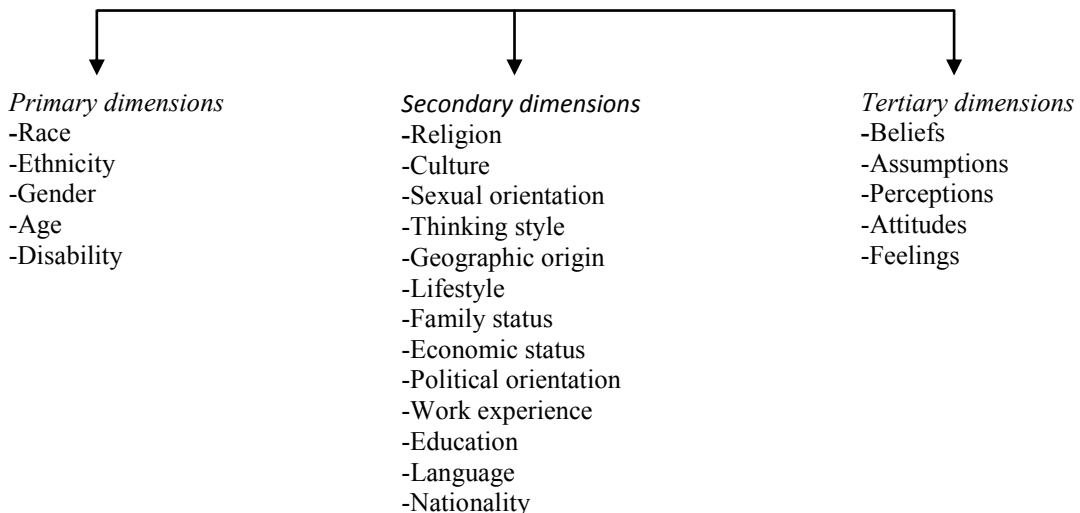
more likely to capture new markets as compared to their homogeneous counterparts.

There are many dimensions of workforce diversity: Diversity prevails in organisations under various dimensions. Differences in race, ethnicity, or culture is a strong social construct that affects important decisions in people's life. Gender diversity is another aspect where males, females and transgender are equally welcomed and made involved. Men and women employees are working shoulder-to-shoulder in corporate houses by honouring work commitments. Age diversity is another strong component. Although awareness and increase in literacy rate is noticeably increasing but still there are many nations, states or remote places where girl child education is considered a social taboo and hence their participation in workplace is highly discouraging. In Indian context, the labour force in various towns is characterised by smaller proportion of women due to family role and obligations and a huge percentage of them still seek their husband's permission to work after marriage. Gender diversity is more apparent in metropolitan and cosmopolitan cities than in interior towns. The human resource policies and communication practices in organisations should use inclusive language that avoids biasness towards a single community. A conducive organisational climate should be created in organisations where employees feel secured to express their own identity in terms of sexual orientation. India is a nation flooded with multiple religious practices. There are Hindus, Christians, Muslims, Jains, Sikhs, Buddhists and Persians. So, workplace should be tolerant and liberal for varied religious observances too where employees feel comfortable to pray and meditate out of choice without being penalised.

Disability is another dimension of diversity which may be in the form of reduced mobility or deficiency of mental alertness. A little partial disability among employees may not be noticeable enough to have impacts in organisational decisions. Many a times, presence of this diversity creates an attitude formation that disabled employees are not equally productive and resourceful. As employees hail from different economic, cultural and educational background so discrepancy prevails in

Dimensions of workforce diversity in Organisations

Primary dimensions
-Race
-Ethnicity
-Gender
-Age
-Disability

Secondary dimensions
-Religion
-Culture
-Sexual orientation
-Thinking style
-Geographic origin
-Lifestyle
-Family status
-Economic status
-Political orientation
-Work experience
-Education
-Language
-Nationality

Tertiary dimensions
-Beliefs
-Assumptions
-Perceptions
-Attitudes
-Feelings

Source: Rijamampianina & Carmichael, 2005.

their ideas, thought process and beliefs which lead to clashes and conflicts. However, differences in opinions generate creative ideas and insights. It gets to the heart of the main argument for diversity in general. Differences are not always negative. There is an art to manage the differences which can yield better outcomes of a conflicting situation. The above discussed dimensions are primary types of diversities. There is another variant of diversity which is secondary. These constitute of the factors that can be modified or changed. Factors like an employee's religious beliefs, education and training, health habits, general appearance, ethnic customs, communication style and level of income. Workforce diversity and inclusions have noteworthy implications from managerial perspective. Instead of supressing, management is deploying various strategies to identify the differences in human resource and thereby implementing policies to encourage creativity, improving productivity, reducing labour turnover and avoiding favouritism at workplace.

MATERIALS AND METHODS

The present work is desk research aiming towards drawing conclusions on few aspects of workforce diversity in organisations in Indian context. Workforce diversity and inclusion is a common practice in multi-national firms to derive various benefits. It has been studied and understood that workplace diversity has various dimensions. Its scope is very wide as inclusions are adopted in firms in context of age, gender, cultural ethnicity, minority groups, disability and the like. Secondary data has been collected from print journals and online journals available in google scholar. Although voluminous research is available online on workplace diversity adopted in international companies but the findings presented in the existing work in regard to specific company strategies is limited to Indian companies. However, dimensions of diversity adopted in foreign companies is also encompassed under the discussion section. Wipro Sustainability

reports of two years and available literature on strategies adopted by IT firms, Tata group of companies, Infotech has been provided. While collecting secondary data, focus was put on various types of diversity, causes of this paradigm shift in welcoming diversity in firms, underlying benefits and challenges of the issue and some significant diversity strategies adopted in the Indian companies.

LITERATURE REVIEW

(Saha, *et al*., 2008) in their study had focused on the requirements due to globalized market and benefits of workforce diversity. They stated that if an organization is not employing the diversified workforce, then it is not competitive enough and the sales managers can make their diversified workforce effective and competent by providing them training. (Jha, 2009) in her research reported that the most important asset of any organization is diversified workforce because it is good at problem solving by offering varied creative ideas and offers competitive advantages to the organization. (Mohan & Chebolu, 2007) established that culturally diversified workforce is really competent but managing such a talent requires such a leader that has an organizational vision and an attitude that are in line with culture. (Saha, 2007) reported that as a result of increased globalization the world is shrinking day by day and hence the organizations have to recruit cross cultural employees. As it might seem difficult for the employees to adapt and adjust with a new environment and culture, a manager must play the role of an active leader by providing the employees with training and interactive sessions on rituals, dressings, mannerisms and food habits of different people. **(**Sabharwal, 2014) reported that diversity management alone is insufficient to improve performance. Inclusive workplaces characterized by supportive leadership and empowered employees is required to translate the gains. In another study, (Prasad, 2001) it was stated that diversity management strategies or approaches have been criticized for not addressing

the exclusion of people from different identity groups and their limited access and participation in the organization. In the research work conducted (Badal & Harter, 2014), the relationship between gender diversity and financial performance at the business-unit level was examined by using more than 800 business units across two organizations from different industries. The study found that employee engagement and gender diversity independently predict financial performance at the business-unit level. However, in a study carried by (Smith *et al*, 2006; Watson *et al*, 1997), it was found that employee engagement serves as a moderator of the diversity performance relationship. The basis for such findings is the notion that men and women bring different viewpoints, diverse market insights and broader repertoire of skills for problem solving and innovation.

Similar findings are reported (Mannix & Neale, 2005; Acquavita et al, 2009; Badal & Harter, 2014) that diverse organizations offer opportunity for greater creativity, innovation, financial performance, organizational adaptability, better problem solving and information processing, employee retention and enhanced profit and corporate image. (Wasserman *et al*, 2008) concluded that people of all social identity groups have the opportunity to be present, to have their voices heard and appreciated, and to engage in core activities on behalf of the collective whole in organisations. (Saxena, 2014) reported that cordial relationship among the employees is one of the major ingredients for smooth functioning of an organisation. It was stated that diversity stimulates innovation and productivity and creates a positive organisational climate that can outperform competition. However, it was also reported that workforce diversity sometimes brings in language problems, attitude clash and difference in employee perception on initiatives. (Rijamampianina and Carmichael, 2005) refined diversity as the collective, all-encompassing mix of human differences and similarities along any given dimension.

RESULTS AND DISCUSSION

There are different contributing factors for this paradigm shift towards diversity in workplace. The most prominent ones are discussed here.

Growth of Service Economy:

Growth and development in an economy is not characterised by significant contributions in product sector alone but more focus is made on service sector. Sectors like tourism, hospitality, education, banking, insurance, transport, medical, consultancy etc are generating more employment and revenue in the globe. Such jobs necessitate understanding the needs and preferences of their customers and taking measures for their satisfaction. The concept of interactive marketing has gained momentum as employees are the service and satisfaction providers to customers.

Globalization of Markets:

With the emergence of globalised markets, business firms around the globe are competing for customers by offering them alternatives unavailable to them domestically. Customers are also getting alert and demand full value for their money. They insist on satisfaction of their likings and preferences and hence marketers are adopting relationship marketing programmes. Companies of national and international spread are adopting strong market segmentation and positioning strategies whereas multinational corporations are opting for strategic alliances (e.g., Maruti Company with Suzuki of Japan), (Hero Company with Honda of Japan), (Bajaj Company with Allianz SE of Germany). Either way, diversity must be created and managed to sustain competitive advantage in the market.

Mergers and Strategic Alliances:

Mergers and acquisitions are common business practices to take benefit of large-scale operations and global interactions. The problems encountered while opting for such practices is under-

lying differences in corporate cultures of two distinct entities. Hence, for successful management of mergers, acquisitions or take overs, workforce diversity must be managed effectively. The associated beliefs of the host countries and subsidiary nations, the expectation and perception of the customers towards the organisations and its services must be understood. Both executives and workers should jointly understand and capitalise on diversity factor as companies unite their efforts to offer products and services to customers in far-flung markets.

Increasing Role of Work Teams:

Various counter strategies are adopted by modern organisations to combat competition and capturing greater market share and goodwill. Focus is made on innovative practices, quality improvement, cost control, product differentiation etc. which require employees to capitalize on team spirit and proper coordination. It has been found that work teams promote greater flexibility, reduced operating costs, faster response to technological change, fewer job classifications, better response to new values (e.g., empowerment of lower-level workers, increased autonomy and responsibility) and the ability to attract and retain talent. Teams also facilitate innovation by bringing together experts with different knowledge bases and perspectives. Hence inclusion in workplace has become a necessity.

Changing Composition of Workforce:

Like other developed nations, it has been widely witnessed that there is an apparent change in the composition of employees across organisations in India. More women employees are recruited in various sectors, along with physically handicapped persons, and persons belonging to scheduled castes and scheduled tribes. Moreover, workforce, today has more mobility. The organisations are characterised by employees belonging to different geographical regions, and cultural orientations. Such differences in the workforce can be valued and put towards the benefit of the firm where the employees must be taught to learn and value different cultures, languages, orientation, etc. so as to serve the customers belonging to different cultural and ethnic backgrounds in a better way.

Managing Labour Market:

Earlier the labour market was dominated by the male workers. Inclusion of women labourers in construction work, factory sites, road works displays the ringing diversity in various jobs. Not only in construction, but also in manufacturing, advertising, software, health, education etc, womenfolk are showing their expertise and involvement thereby adding an important dimension in workforce diversity.

Legal Requirements:

Under the provisions of the Constitution of India, certain portion of jobs in the government and public sector are reserved for scheduled castes, scheduled tribes, other backward classes, differently abled, etc. It inevitably leads to diversity in the workforce in the concerned organisations. Due to this constitutional provision, people belonging to different background apply for jobs anywhere in the nation. The reservation system in regard to job is followed not only in central and state government jobs but also in various private companies, societies and trusts in many states.

Diversity Management Practices of Indian Companies

At India's leading Infotech firm Wipro technologies, Braille signages ramps, voice enabled elevators and wheel chairs are installed to promote facilitating work environment for differently abled employees. Sunita Cherian was a then member of Wipro's corporate diversity council in 2010 who used to meet twice quarterly to provide direction to facilitate inclusion and diversity initiatives. Scope of diversity is not only limited to dimensions of age, gender, culture and socio-

economic differences but also includes persons with disabilities and people from underprivileged backgrounds. The bright side of diversity from societal perspective is that it includes many marginalised segments of society. It welcomes people across cultures, national boundaries, cross cultures, people from disadvantaged background and the like. Back in 2006, when Infotech industries faced shortage of talent in HR base, launched initiatives to attract more women into the workforce. Gender diversity is a boon now as the IT industry is successfully operating with 35% women participation in BPO industry and more than 22% of the IT industry (NASSCOM 2013 cited in Gupta, 2015). Not only that, the council also adopted inclusion of several minorities such as lesbian, gay, bisexual and transgender (LGBT) categories. The Indian IT industry is definitely ahead on the issue of respecting diversity. Women's participation in IT workforce is second highest among all non-agricultural sectors in the country after e-commerce (67.7%) and retail (52%).

On women's day 2017, Vodafone launched two significant initiatives to increase women's participation in the workforce. The first was the Vodafone reconnect programme to bring women back into the workforce after a career break. The policy enables women to either work full-time or on flexitime. Secondly, going beyond workforce engagement, Vodafone has paved ways by adopting digital inclusion of underprivileged women (low income and remote communities) from emerging markets, especially India and Africa.

Nestle India has promoted better representation of women in the workforce both in campus recruitment as well as lateral hiring. The company runs 'Project Harmony' to increase diversity in business operations, factories, research and development centres as well as offices. Further, Tata group is always known to deliver social responsibilities and to lead several social impact issues from the front. In 2017, Tata steel announced that it is working on a roadmap to ensure 25 % repre-

sentation from diverse groups by 2020. 20% of it will be filled up by women employees and the rest will be from LGBT community. The company has adopted a 5-pillar approach to diversity and inclusion ie., commitment, sensitization, development, infrastructure and celebration. The number of older employees has grown because of improved medical and healthcare facilities. Bharati enterprise, for example has mandated its recruitment agencies to ensure 25-30% of women candidates at the interview stage. In 2010-11, 19% of the IT business workforce used non-Indian as against 7% in 2009-2010 and 5% in 2008- 2009. Almost 7.6% of WIPRO recruitments were non-Indians across 43 nationalities. (The Imperative of Hope, Wipro sustainability report, 2010-11). Strategies have been revised and devised for greater well-being of the masses. Among the recent inclusion and diversity strategies are higher participation of women employees (35%), LGBT, underprivileged sections to bridge the employability gap, persons with disability and participation of more nationalities (more than 110 nations are included and 65% of the online personnel are locals), 16% women in management (in lower, middle and senior management) positions (Wipro sustainability report, 2017-2018). Very recently, Tata steel has targeted to have 20% women participation in its workforce from the current level of 11 %.

Advantages of workforce diversity:

- *Higher adaptability*: When employees belonging to diverse backgrounds come together in workplace, they bring with them individual differences in skills and talents. They offer ideas and show flexibility in adapting to dynamic forces of the market and customer demand channels. Heterogeneous compositions of employers provide better solutions to management problems and show alertness in allocation of resources.

- *Broader and richer reservoir of skills and experiences*: A diverse collection/assimilation of potential and experience allow a company to

assign different goals to different employees with specific skills. It helps in better division and distribution of work which helps in improving productivity.

- *Increase in productivity*: Diversity and inclusion in work environment results in higher productivity and competitive advantages. It improves employee morale and they feel encouraged to deliver more efficiently and effectively.

- *Increase in creativity:* As the team members are culturally diverse, so better results of brainstorming sessions can be achieved. Heterogeneous groups always explore the best among themselves because they cross fertilize one another and better workable solutions are offered by them. For eg., a practical problem may be perceived differently by men, women, transgender and bisexuals. Again, due to short generation gap that exists among individuals now a days can be valued which is a vibrant diversity resulting in different ways of handling similar problems. Nationals belonging to different countries perceive problems on different criteria by focusing on their individual thought process and customs.

- *Improved management solutions*: Multicultural organizations are found to be better at problem solving, possess better ability to extract expanded meanings and are more likely to display multiple perspectives and interpretations in dealing with complex issues. A diverse collection of skills and experiences (eg., languages, cultural understanding) allows a company to provide service to customers on a global basis.

- *Increase goodwill*: Individuals seeking employment are always attracted more towards companies with diverse workforce because they feel that the organizational climate will be unbiased without employee discrimination. Such firms attract fresh blood by retaining existing employees due to high employee morale as a result of workforce diversity.
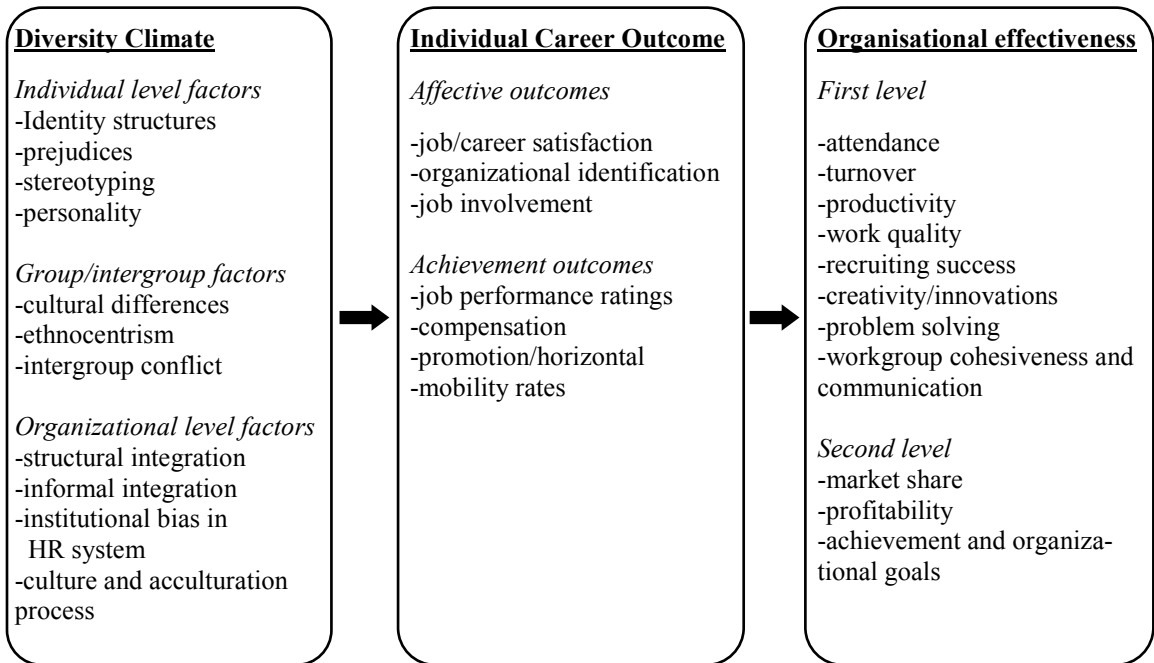
Challenges of workforce diversity

- *Diversity in the work environment can lead to communication barriers:* People belonging to different cultures speak different languages and expression. The words and phrases used in one community may mean entirely different in another community which creates misinterpretations of meanings. Although diversity welcomes varied opinions and viewpoints in workplace which enjoys a competitive advantage but may also lead to personal communication problems or jargon understanding problems which eventually leads to arguments and conflicts.

- *Negative effects of huge generation ga*p: The phenomena of diversity and inclusion emphasizes on offering opportunities to both young and old. Now a days, generation gap exists after every 5 years in individuals. In an organization, age of employees ranges from an average 25 years to 60 years and sometimes more than that. Huge differences in age element denotes huge shift in uniformity of perceptions, initiatives and conclusions among employees.

- *Gender diversity is not realistic*: The concept of gender diversity is still a doubtful term in many companies. If the statistics are to be followed, the female representation in workers is very low and pathetic. LGBT categories are seldom seen to be included in Indian companies in notable percentage. If the ratio of men and women in the workforce is calculated at the entry stage of organizations, then a fair percentage is noticed but it is hardly observed that women employees are upgraded to senior management positions. Only a few women employees at the top management positions are witnessed. Organizations are not yet conditioned enough to embrace working mothers.

Table 1. Indian diversity dimensions and their organizational challenges

Diversity Dimensions	Organisational Challenges
Socio-cultural dimensions of diversity	
Caste	• Nepotism based on caste • Particular jobs being dominated by particular caste. • Stereotypes associated with certain castes leading to discrimination. • General category employees perceive minority as less competent.
Religion	• Religion impacts work culture and behaviour • Religion impacts management decisions and policy making. • Direct and indirect discrimination on ground of religion. • Stereotypes about people of a specific religion. • Harassment- religious jokes, name calling etc. • Religious observances, symbols and food habits may influence work behaviour. • Religious festivals would determine work timings, time-off.
Demographic dimensions of society	
Gender	• Glass ceiling • Glass elevators • Work-life balance • Unequal pay • Sexual harassment • Role stereotypes
Age	• Each generation has varied work values and work styles. • Challenges of Y-generation. • Age related stereotypes. • Generation-Y being hired for top positions and leadership issues
Region of Origin	• Regional identity leading to favouritism. • Discrimination on the grounds of region. • Cultural shock and difficulties in being accepted in other regions. • Cultural stereotypes of different regions creating prejudices.
Physical disability	• Physical infrastructure and faculties. • Attitude and belief of co-employees. • Stereotypes and misunderstanding related to their potential.
Sexual orientation	• Indian family values and religious values challenges acceptance of their identity. • Discrimination and bullying at workplace. • Attracting them would be a challenge.

Source: Kavita Meena, 2015.

Interactional model of the input of diversity on individual career outcomes and organizational effectiveness

Diversity Climate	**Individual Career Outcome**	**Organisational effectiveness**
Individual level factors -Identity structures -prejudices -stereotyping -personality *Group/intergroup factors* -cultural differences -ethnocentrism -intergroup conflict *Organizational level factors* -structural integration -informal integration -institutional bias in HR system -culture and acculturation process	*Affective outcomes* -job/career satisfaction -organizational identification -job involvement *Achievement outcomes* -job performance ratings -compensation -promotion/horizontal -mobility rates	*First level* -attendance -turnover -productivity -work quality -recruiting success -creativity/innovations -problem solving -workgroup cohesiveness and communication *Second level* -market share -profitability -achievement and organiza-tional goals

Source: Taylor Cox, 1993

CONCLUSION

Review of existing literature has revealed the related advantages and challenges of prevailing diversity in organisations. Diverse workplaces promote enlightenment and open-mindedness. Earlier, the percentage of inclusions was quite less be it in regard to proportion of male and female or entry of bisexuals and transgenders at workplace. Big corporate houses now a days, donot keep reservations in welcoming talent from LGBT categories. The BPO industry has open reservations to include employees from underprivileged background. Differently abled people are also provided platform to participate, feel involved and work with ease in organisations. Diversity has always prevailed in nation in form of heterogenous views and cultures. Strengths in diversity need to be highlighted and the synergy effect need to be created. Higher participation of women employees, psychological liberty to employees in feeling safe having different religious, cultural and sexual orientations must be focussed. From organisational point of view, it is imperative to devise training programmes on team building, interactive work culture, communication channels and implement diversity policies for wider reach and smooth conduct of operations in firms. Management plays an incremental role in lubricating this practice smoothly. It must recognise unconscious biasness and address the related concerns. It needs to be generous towards people of all race thereby recognising holidays of all cultures. Conflicts will always surround amidst differences, but the same need to be addressed with tact and tolerance.

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