



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

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DIVERSITY MANAGEMENT AND ORGANIZATIONAL EFFECTIVENESS IN INDIAN ORGANIZATIONS

DR. SUSHMA SURI
ASST. PROFESSOR
DEPARTMENT OF PSYCHOLOGY
JAMIA MILLIA ISLAMIA
NEW DELHI

MONU LAL
RESEARCH SCHOLAR
DEPARTMENT OF PSYCHOLOGY
JAMIA MILLIA ISLAMIA
NEW DELHI

ABSTRACT

The present study aimed to find out the diversity management and organizational effectiveness in public and private sector organizations. The sample of the study consisted of 60 middle level managers from private (Power supplying companies, n=30) and public (Oil Companies, n=30) sector situated in different parts of Delhi. Two scales namely Diversity Scale developed by Erwee and Innes (1998) consists of 41 items with three subscales (problems related to diversity, openness towards change and diversity management status) and Organizational Effectiveness Scale by Taylor & Bowers (1972) consist of 14 items were used to all the subjects. Obtained scores were analyzed with the help of t-test and correlation. The finding of the study indicated that on the dimensions of diversity related problem both public and private sector organizations differed significantly. They did not show any significant difference on openness towards change and diversity management status) and on Organizational Effectiveness scores. As far as relationship between diversity management and organizational effectiveness of private sector is concerned a significant positive relation was found between the scores of diversity management statue and organizational effectiveness. A positive significant relationship found between openness of company towards change, diversity management status and organization effectiveness of public sector.

KEYWORDS

Diversity Management, Organizational Effectiveness. Public Sector, Private Sector.

DIVERSITY MANAGEMENT

DM developed as a philosophy in the late 1980s in North America. The concept gained popularity in UK as a new management approach in 1990s and has continued to do so because of the prevailing social and economic climate. Labour market statistics indicated that the workforce of the twenty-first century is becoming more and more diverse in terms of factors such as race, ethnic origin, gender, age, sexual orientation and political and religious belief; hence workforce diversity has become an essential business concern. Diversity is not an option, it is automatically part of the package, and some sort of diversity management framework is a necessity (Allard 2002).

Diversity contributes to increased market share because it enhances an organization's ability to deal more sensitively with multicultural domestic and foreign customers, thereby increasing customer satisfaction, keeping and gaining market share (Bhadury et.al., 2000). Diversity enhances employee relations and reduces the cost of labour as well as recruiting the best people in the labour market by embracing diversity, such employers can also benefit from cost savings by having a more cost-effective recruitment process (Woods and Sciarini 1995). Advocates of diversity management argue that an inclusive diversity climate increases the performance and productivity level of employees through increased job satisfaction and commitment (Morrison 1992). Stereotyping and discrimination on the grounds of nationality frequently undermine effective communication in international teams and can lead to misunderstanding and conflict (Phillips 1992).

When a business goes beyond the national borders of its country, the complexity grows. This complexity is created by the sheer diversity of factors to be balanced and managed at every level. Indian companies have to tackle marketing challenges at a nationwide level by adapting to different languages, market preferences etc effectively, yet at the same time considering India as a homogenous market for optimizing on scale. Dwyer et.al., (2003) tell us, 'A growth-oriented, culturally diverse organization benefits from employees who are flexible in their thinking and who are less likely to be concerned about departing from the norm.' Their research findings suggest that firms adopting growth strategies benefit from the increased levels of performance stemming from gender diversity at managerial level.

Scott Page's (2007) mathematical modeling research of team work supports this view. He demonstrated that heterogeneous teams consistently out-performed homogeneous teams on a variety of tasks. He pointed out that diversity in teamwork is not so simple in the messy real world. Too often the cultural differences create problems. The goal is to manage diversity to take full advantage of it.

ORGANIZATIONAL EFFECTIVENESS

OE is a construct. Constructs are abstractions that exist in the head of people, but they have no objective reality. They cannot be pin pointed, counted or observed. They exist only because they are inferred from the results of observable phenomena. As a construct, the total meaning of organizational effectiveness is unknown. Scott (2003) the rational system approach views organizations as "instruments for the attainment of goals". Scott places these support goals under the natural system perspective, a perspective that recognizes official goals but emphasizes support goals and the organization's preoccupation with survival as well as goal attainment. Organizational Effectiveness is defined as the planned use of tools, practices and behaviors that encourages optimum effectiveness of people and organizations as a whole (Burke 1994).

Yankey & McClellan (2003) "Organizational effectiveness is the extent to which an organization has met its stated goals and objectives . . . and how well it performed in the process. Measurement of nonprofit effectiveness reflects the diversity in the size, scope, and services of the many types of organizations. Little research or agreement exists that qualifies that best objectives or practices to obtain organizational effectiveness, but researchers agree that the goals and mission of nonprofits often differ from the goals of for-profit organizations.

The positive relationship between business performance and workforce diversity in growth-oriented organizations holds true for race diversity as well as gender diversity; but race diversity is shown to be associated with harmful and negative outcomes for the downsizing firms (Richard 2000).

OBJECTIVES

To compare diversity management (symptoms of diversity related problem, the openness of companies towards change, and the diversity management status of the company) and organizational effectiveness between public and private sector organizations.

To examine the relationship between diversity management (symptoms of diversity related problem, openness of companies towards change, and the diversity management status of the company) and organizational effectiveness.

HYPOTHESES

HO1. There would be a significant difference between public and private sector on diversity management (symptoms of diversity related problem, openness of companies towards change and diversity management status of the companies) and organizational effectiveness.

HO2. There would be a significant relationship between diversity management (symptoms of diversity related problem, openness of companies towards change and diversity management status of the companies) and organizational effectiveness.

METHOD

PARTICIPANTS

The sample of the study comprised of sixty (60) middle level managers working in Private (Power supply companies) and Public (Oil Companies) sector organizations. The sample included middle level managers from public and private sectors in equal number i.e. Private (n=30) and Public (n=30).

MEASURES

Diversity Scale developed by Erwee and Innes (1998) consists of 41 items with three subscales symptoms of diversity related problem, openness of companies towards change and the diversity management status of the company. The scale has Cronbach Alpha reliability co-efficient of 0.87, 0.79 and 0.73 respectively.

Organizational Effectiveness Scale by Taylor & Bowers (1972) consist of 14 items with three dimensions i.e group functioning, satisfaction and goal integration. It has a 5 point rating scale ranging from strongly disagree to strongly agree. The score for strongly disagree is 1 and strongly agree is 5. The maximum score on this scale is fairly reliable and valid and it is widely used.

PROCEDURE

After the target sample size was decided upon, a couple of public and private sector organizations were approached for the purpose of data collection. Finally data was collected on middle level manager with minimum experience of 5-8 years. After rapport formation participants were convinced to fill the responses and assure them for confidentiality of the responses.

RESULTS AND DISCUSSION

The **table 1** indicated that on the symptoms of diversity related problem public sector differ significantly with private one (t-value= 7.68; $p<.01$). On the dimensions of openness of company towards changes and diversity management status of the company both the sector did not show any significant difference. On the scores of Organizational Effectiveness non significant difference was found.

The Correlation Coefficient in table 2 indicated that the organizational effectiveness of public sector is significantly and positively correlated with openness of the company towards change and diversity management status. As far as the organizational effectiveness of private is concern it is only correlated with diversity management status of the company

Comparison of diversity management and organizational effectiveness scores of public and private sector organizations (n=60)

TABLE 1

Symptoms of diversity related problem	Organization	N	Mean	SD	t - value
	Public	30	59.90	4.75	7.68**
	Private	30	67.43	2.49	
Openness of company towards change	Public	30	23.70	6.23	1.019
	Private	30	22.03	6.44	
Diversity Management status	Public	30	30.10	3.21	1.51
	Private	30	31.13	1.96	
Diversity Management (Total)	Public	30	116.96	8.18	.485
	Private	30	117.80	4.64	
Organizational Effectiveness	Public	30	63.76	10.11	1.65
	Private	30	66.90	2.35	

** $p<0.01$, * $p<0.05$

Correlation coefficient between organizational effectiveness and diversity management.

TABLE 2

Organization	r
Public Sector	
O.E and DM1	.015
O.E and DM2	.510**
O.E and DM3	.452*
Private Sector	
O.E and DM1	.335
O.E and DM2	.314
O.E and DM3	.364*

** $p<0.01$, * $p<0.05$

The finding of the study revealed that on the dimensions of diversity related problem both public and private sector organizations differed significantly. Diversity related problems refer to complaints about other languages, resistance of staff to working with other groups, communicating difficulties due to use of accented foreign language, lack of social interactions between diverse groups, difficulties in recruiting and retaining members of diverse groups, open conflicts between diverse groups or individuals, productivity problems due to misunderstanding of directions, barriers in promotions for diverse employees. Due to different organizational structure and working environment the public sector differed from the private one. Private sector employees mentioned that they have to face less problem as compare to public sector employees. This is due to the issues such as structural arrangement, cultural patterns and the nature of core business, external relationship and the strategic mission of an organization. Glastra et.al. (2000) advocate a contextual approach to managing diversity: If diversity management have a positive impact, it must develop adequate solutions to organizational problems in the workplace. Sometimes increasing diversity is portrayed as a magic formula that will automatically provide employers with competitive advantages. But empirical research evidence is conflicting. In fact, workforce diversity isn't a competitive organizational strength unless it is effectively managed (Dwyer 2003, Chevrier 2003).

As far as openness of the company towards change is concern public and private sector employees did not differ significantly. Both are ready to bring the change within the organization or with their annual policies reviewed, an openness to suggestions from all people in the company, strategic plan of, approachable top managers etc.

Regarding the diversity management status of the organization is concern there is no significant difference among the employees of public and private sector on the factors like flexibility to accommodate the needs of diverse staff. Managing diversity means valuing people differences and identities as strengths and is directed to achieving organizational outcomes (Kramar, Wiesner & Millet 2001). It is a strategic human resource domain and the HR department has the prime responsibility for formulating diversity related management policies and also inducting line managers to ensure effective implementation. However, without the conviction and commitment of senior management, and in the absence of leadership and organizational policy (D'Netto, Smith & Pinto 2000), stand alone strategies and programs of HR managers can fail. Acknowledging the advantages of human diversity, and creating and upholding diversity awareness among the workforce through various interventions, are critical success factors for multicultural organizations

Diversity Management as whole is concern the mean scores were found almost same for both public and private sector i.e. 116.96 followed by 117.80 and the t-value is .485 which is non significant.

The above result indicates that, the mean scores (66.90) of organizational effectiveness of private organization is higher than the mean scores (63.76) of public one. But the t-value = 1.65 did not show any significant difference. As Morgan (1997) vividly describes, there are numerous ways to conceptualize and model an organization, with profound consequences for criteria of effectiveness. These concepts typically deal with organizational form and structure on the one hand and organizational functions and activities on the other. How the organization is designed and how its functions are defined obviously have important implications for how processes and people are managed. If, for example, managers think of the organization as a machine for the efficient production of products (whether these are widgets, services, or research results), then management controls will seek to maximize production and standardize products for efficiency. If the organization is seen as flux and transformation, then "the fundamental role of managers is to shape and create 'contexts' in which appropriate forms of self-organization can occur" (Morgan 1997). Now the days both public sectors are also seeking new planning and performance management solutions to accomplishing desired results is the degree of comprehensiveness, integration and alignment of the capabilities and the functioning of the organization and its employees. Successfully implementing a new performance management program requires an approach that flows from a strategic plan, measures progress against carefully defined goals and rewards employees for behavior and actions that meet those goals and support the strategy. Hence no significant difference between public and private sector on organization effectiveness. Hence the 1st hypothesis has not proved. .

Regarding the relationship between the dimension of diversity management and organizational effectiveness in private sector is concern a significant positive relation was found between the scores of diversity management statue and organizational effectiveness $r = .364^*$. The above results indicated that Organization Effectiveness in private sector is only affected by the diversity management status of the company. It means that if the organization effectively managed the diversity among workforce increases their organizational effectiveness. Likewise the benefits of effective diversity management, noted in earlier studies of large private sector organizations, include higher productivity (Wolf 1998), better creativity and innovation (Smith 1998), better understanding of customers, improved recruitment opportunities (Agocs & Burr 2000), lower costs (Cox 1993), more positive morale (Kramar 2001), and higher employee retention (Teicher & Spearitt 1996). Diverse workforces, by improving communication, teamwork, and employee utilization, lead to higher productivity, with innovative and creative solutions arising due to a broader range of perspectives and experiences being incorporated and considered (Wolf 1998; Smith 1998). Diversity awareness allows for a better understanding of global customers' needs, and provides access to greater labour pools (Agocs & Burr, 2000). Access to wider employment pools allow for recruitment of optimum human resources, and it can also minimize recruitment and training costs (Cox 1993). A weak positive relationship found between organizational effectiveness and diversity related problems and openness towards change. Awbery (2007) focuses on the concepts of vertical and horizontal diversity. Vertical diversity evaluates difference as superior or inferior, whereas horizontal diversity treats difference as variation. Organizational paradigms of assimilation and separation are based on vertical diversity and treat diversity as a problem to be solved. Assimilation solves it by submergence of difference, and separation by isolating difference. Often organizations in the United States take a benevolent assimilation approach to diversity. However, research shows that assimilation does not engage diversity in ways that promote learning, creativity, and organizational effectiveness. He argues for a relational re-conceptualization of diversity as horizontal, and recommends that diversity paradigms should be integrated with diversity perspectives, levels of self-representation, and uncertainty and certainty orientations.

As far as relationship between organizational effectiveness and diversity management of public sector is concern a positive significant relationship found between openness of company towards change and diversity management status. Cordero (1996) suggest that, 'Homogeneity appears to be a benefit for groups with more routine tasks, while heterogeneity produces benefits for groups with more complex and interdependent tasks.' In other words, diversity among employees delivers a competitive advantage for organizations when the performance of novel and complex tasks that require high levels of creative thinking, innovation and problem-solving skills are involved (Dwyer 2003, Jackson 1992). Hence, our hypothesis is partially proved here.

CONCLUSION

In the Indian context workforce diversity is most dominant. Employees of Indian organizations are becoming increasingly heterogeneous in terms of women employees, young workers, international careers and expatriates, necessity of international experience etc.

And the secondary dimensions of diversity have decisive influences on organizational cohesion. Affiliation of individuals to specific religions or castes, their marital and parental status or language play a significant role in the process of developing relationships with superiors, as well as subordinates (Kapila 2003). The Indian workforce consists of over 400 million employees originating from 32 different states that tend to be culturally and linguistically unique. Although two languages, Hindi and English, are used for official communication, about 2150 newspapers in 92 languages illustrate the complexity of the Indian linguistic landscape. The level of education of people from different states varies significantly as, for example the states from peninsular India have an aggregate rate of literacy above 70 per cent (Government of India 2005) compared to the national average of 65 per cent (Census 2001).

Researches suggest contradictory findings, some argued that having a diverse workforce leads to increased market share and increased sales to minority-culture groups (Fernandez 1991, Cox and Blake 1991) On the contrary, in some instances; workforce diversity may even undermine business performance. Cordero (1996) conclude that 'homogeneity in group composition creates positive outcomes because of the effects of the similarity-attraction effect, that is, that people are attracted to those who are similar to themselves.'

However, success will come only to those corporations in which the leadership is able to manage the challenges of diversity at each level in an integrated manner.

Regarding the relationship between diversity management and organizational effectiveness it was observed that only on the bases of diversity management organization cannot measures its effectiveness. In present scenario organizations faces many challenges like as acquisitions, merges, internalization, globalization and from the government policies in such situation managing diverse workforce is very difficult task. According to Richard et al. (2009) organizational effectiveness captures organizational performance plus the myriad internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations.

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