

# The effect of Employee diversity on Organizational performance

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**Abstract-**Employee diversity has been increasingly recognized as an important factor for organizational performance. Businesses that embrace diversity tend to experience positive outcomes, including increased creativity, better decision-making, and improved profitability. The aim of this abstract is to review the literature that analyses if diversity affects organizational performance, and if yes, how. The study highlights the need for organizations to create a diverse and inclusive work environment that allows employees to feel valued and appreciated irrespective of their backgrounds. The findings of this study provide valuable insights into the benefits of embracing employee diversity for organizational performance. Leaders and managers should make diversity a priority and strive to create a work culture that values diversity, fosters inclusion, and promotes equality.

## I INTRODUCTION

Employee diversity at the workplace refers to having a team of employees who come from different backgrounds, cultures, ethnicities, races, genders, ages, religions, and abilities. Diversity in the workplace is imperative to creating an inclusive environment where everyone feels safe, respected, and valued. A diverse team brings together different perspectives, experiences, and ideas, which can lead to new and innovative solutions to problems. When a diverse team is involved in decision-making, they are more likely to consider a range of perspectives, leading to better decision-making. A diverse and inclusive workplace can lead to increased employee engagement and job satisfaction, which can result in higher productivity. Having employees from diverse backgrounds can help a company better understand and serve a diverse customer base. Companies that prioritize diversity and inclusion tend to have a better reputation and attract top talent. Employee diversity at the workplace is crucial to creating a positive and

successful work environment. Companies that recognize and embrace diversity are more likely to thrive in today's global marketplace.

Diversity in the workplace is an essential aspect of promoting organizational success in today's globalized society. The field of employee diversity has been studied extensively in recent years. Organizations nowadays are surrounded by a diverse workplace, which leads to increased interactions between employees of different cultural backgrounds, and values. Today, many organizations are trying to increase their diversity to gain a competitive advantage in global markets, and due to some legal requirements as well. However, the effect of employee diversity on organizational performance is a controversial issue, and scholars have debated it for a long time. Therefore, this paper aims to review the literature that analyses if diversity affects organizational performance, and if yes, how.

## II LITERATURE REVIEW

Studies have consistently shown that diversity in the workplace has positive effects on organizational outcomes. A meta-analysis of 108 studies found a positive correlation between diversity and organizational performance, with diverse teams outperforming homogeneous teams (Richard et al., 2003). Other research has shown that diversity leads to increased innovation, stronger decision-making, and higher levels of creativity (Cox, 1993; Cox & Blake, 1991; Jehn, Northcraft, & Neale, 1999; Watson et al., 2018). Despite these positive effects, not all studies have found diversity to be a consistent predictor of organizational outcomes. One study found that diversity only impacts performance in certain circumstances, such as when diversity is appropriately managed (Roberson, 2007). Another study found that

diversity can lead to conflicts and decreased satisfaction in work groups, particularly if group members have differing values and beliefs (Pelled, Eisenhardt, & Xin, 1999). In addition to its effects on organizational outcomes, diversity in the workplace also impacts employee experiences. One study found that employees in diverse workplaces had higher job satisfaction and engagement (Roberson, 2019). Another study found that employees in diverse work environments had higher levels of commitment and organizational citizenship behavior (Kramschuster et al., 2016). However, other studies have found that diversity can also lead to negative experiences for employees. One study found that employees in diverse work environments reported higher levels of perceived discrimination and harassment (Roberson, 2019). Another study found that employees in diverse work environments reported feeling less connected to their colleagues than employees in homogeneous work environments (Cross et al., 2003).

Given the mixed findings on the impact of diversity on organizational outcomes and employee experiences, there is a clear need for strategies to promote and manage diversity effectively. One key strategy is to implement diversity training programs that focus on cultural competency and bias reduction (Cox, Lobel, & McLeod, 1991; Kalev, Dobbin, & Kelly, 2006). Other strategies include creating diverse candidate pools during the hiring process, promoting diversity in leadership roles, and implementing policies and procedures that support diversity and equality (Cartwright & Holmes, 2006; Cox & Blake, 1991; Thomas & Ely, 1996). Research suggests that employee diversity can have an impact on organizational performance, but this effect can be either positive or negative and depends on how it is implemented and managed (Dixon-Fowler, Slater, Johnson, Ellstrand, & Romi, 2013). Studies have shown that diversity can increase creativity, innovation, and problem-solving skills, which can lead to better performance outcomes (Herring, 2009). Also, a diverse workforce can enhance customer satisfaction and attract a wider range of consumers (Lenartowicz & Roth, 2001). On the other hand, diversity can lead to communication problems, conflicts, and misunderstanding, which can have negative effects on team performance (Herring, 2009). Furthermore, diversity can lead to social categorization, which can cause employees to feel segregated and lead to

disengagement with the organization (Roh, 2015). However, to maximize the positive impact of diversity and minimize its negative effects, diversity should be effectively managed. Organizations that embrace diversity management strategies, such as training, mentoring, and education programs, can achieve better performance outcomes (Williams & O'Reilly, 1998). Moreover, leadership that supports diversity, creates a positive climate for interaction among employees, and recognizes and rewards their differences can also increase productivity and reduce employee turnover (Nishii, 2013). Thus, effective diversity management plays a pivotal role in determining the impact of diversity on organizational performance.

### III NEED OF THE HOUR

Employee diversity is necessary in the workplace for several reasons. Firstly, it promotes creativity and innovation by bringing diverse perspectives and ideas. Secondly, it helps to build a better understanding of customers from different backgrounds and cultures, enabling businesses to serve a more extensive customer base. Thirdly, it creates a more inclusive and welcoming environment by preventing workplace discrimination and harassment based on race, gender, or other characteristics. In today's globalized world, diversity in the workplace is essential to stay relevant and competitive. Companies that embrace diversity are more likely to attract and retain a diverse workforce, which can lead to improved performance and increased profitability. Therefore, employers should prioritize diversity and inclusion in their recruitment efforts and ensure that their workplace culture is welcoming and inclusive to everyone.

Employee diversity has a significant impact on organizational performance. A diverse workforce brings together people with different backgrounds, experiences, and perspectives. They can come up with innovative ideas that can help to solve complex problems and create new products or services. When employees feel that their differences are valued, they are more likely to be engaged and dedicated to their work. A diverse team promotes an environment where everyone feels respected and valued. Diverse teams can make better decisions since they take into account a broader range of viewpoints. This can lead to better strategic planning, risk management, and problem-solving. Diversity in the workforce enables

organizations to understand and serve a broader range of customers. This knowledge could pay off in the long run in the form of increased customer satisfaction and loyalty. Organizations that prioritize and embrace employee diversity often have a better reputation and are more attractive to job seekers and customers alike.

#### IV THE APPROACH

There are several approaches that organizations can adopt to build employee diversity and enhance their performance. Organizations can start by developing a diversity and inclusion policy that outlines the company's commitment to diversity and inclusion. The policy should also outline how the organization plans to achieve diversity and inclusion across all levels and functions of the company. Organizations can use diverse recruitment methods to attract and hire a diverse workforce. This can include reaching out to organizations that represent diverse communities, using inclusive job descriptions, and providing accommodations for candidates with disabilities. Organizations can provide diversity training to employees to promote awareness and understanding of different cultural backgrounds, beliefs, and perspectives. This can help to create a more inclusive workplace and reduce bias and discrimination. Encouraging mentorship and sponsorship can help to support the development and advancement of diverse employees. The organization can pair diverse employees with mentors who can provide guidance and support for their career development. Encouraging an inclusive culture can help to create a sense of belonging for all employees. This can include promoting a work environment that values open communication, collaboration, and respect for diversity. By adopting these approaches, organizations can build a diverse and inclusive workforce that can enhance performance and business success.

#### V CONCLUSION

Employee diversity can affect organizational performance positively or negatively depending on its implementation and management. A diverse workforce can contribute to creativity, innovation, and attract a wider range of customers, but at the same time, it can lead to social categorization, communication problems, and conflicts. Effective

diversity management can maximize the advantages and minimize the negative effects of diversity. However, more empirical research is needed to understand the relationship between employee diversity and organizational performance. Overall, the literature on employee diversity provides strong evidence that diversity in the workplace is associated with positive organizational outcomes and employee experiences. However, the impact of diversity is not always consistent, and there are significant challenges to managing and promoting diversity effectively. To maximize the benefits of diversity, organizations must implement strategies that focus on both diversity and inclusion and create a culture that values and promotes diversity at all levels. The impact of employee diversity on organizational performance is crucial. It promotes creativity, innovation, employee engagement, customer satisfaction, and improved reputation. Therefore, organizations should make a sustained effort to create a diverse and inclusive workforce to remain competitive and successful in the long run.

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