WORKFORCE DIVERSITY AND FIRM PERFORMANCE

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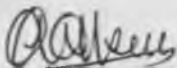
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Declaration

I, the undersigned, declare that this PhD Independent Paper is my original work and has not been submitted for any award to any other college, institution or university other than the University of Nairobi.

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This independent paper has been submitted with my approval as the appointed supervisor.

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SECTION ONE

INTRODUCTION

1.1 The concept of diversity

Diversity may be defined as the presence of differences among members of a social unit (Jackson & Packer, 1987). Diversity is an increasingly important factor in organizational life as organizations worldwide become more diverse in terms of gender, race, ethnicity, age and other characteristics (Shaw and Barrett-Power, 1998). Today, the workforce comprises of people who are different and share different attitudes, needs, desires, values and work behaviors (Morrison, 1992).

The term diversity often provokes intense emotional reactions from people who, perhaps, have come to associate the word with ideas such as "affirmative action" and "hiring quotas". As organizations increasingly operate in a multinational and multicultural context, understanding how diversity in the composition of organization group affects outcomes such as satisfaction, creativity, turnover and performance will be of increasing importance (Johnston & Packer, 1987). Upper echelon theory (Hambrick and Mason, 1984) persists that the demographic characteristics of top managers and organizational decision makers have a substantial effect on firm performance

The trend toward using teams to coordinate and manage work in organizations is increasing the amount of time that employees spend with people different from themselves. Past research results on heterogeneity in groups suggests that diversity offers both a great opportunity for organizations as well as an enormous challenge. On one hand, some research suggests that more diverse groups have the potential to consider a greater range of perspectives and to generate more high-quality solutions than less diverse groups (Hoffman & Maier, 1961). On the other hand, the greater the amount of diversity is a workplace or an organizational subunit, the less integrated the group is likely to be (O'Reilly, Caldwell, & Barnett, 1989) and the higher the level of dissatisfaction and turnover (Wagner, Pfeiffer, & O'Reilly, 1984). Diversity thus appears

to be a double-edged sword, increasing the opportunity for creativity as well as the likelihood that group members will be dissatisfied and fail to identify with the group.

Researchers have categorized different types of diversity. One distinction is between diversity on observable or readily detectable attributes such as race or ethnicity, age or gender and diversity in respect to less visible or underlying attributes, such as education, technical abilities, functional backgrounds, tenure in the organization or socioeconomic background, personality and values (Cumming et al 1993, Tsui, et at 1992). Diversity in observable attributes has consistently been found to have negative effects on affective outcomes (identification with the group, satisfaction) at both the individual and group levels of analysis. Further, greater negative effects have been found for diversity on race and gender than for diversity on age (Tsui et al. 1992), suggesting the possibility that the deep-seated prejudices some people hold against people who are different from themselves on race and gender may be adding to the difficulty of interaction for these groups.

Another classification is demographic and cognitive diversity. Demographic diversity focuses on variables such as age, gender, nationality and race which are directly measurable attributes of individuals while the cognitive diversity focuses more on attitudinal and normative differences between individuals (Pfeffer, 1983).

1.2 Levels of workforce Diversity

The levels of diversity comprise of individual, Group and Organizational.

1.2.1 Individual Level

Researchers argue about the direction of the relationship between individual attitudes and behavior, but most agree that they are related. Many studies have showed the important impact of perception on behavior. Perception relates to how people interpret their world of experience as well as to how they act upon their perceptions. Perception is a human being's ability to select, organize and attach meaning to information gathered through his or her sense (Hambrick, 1994). People interpret what they hear and see in the world as

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they perceive it and not really as it is. It is evident that people can look at exactly the same thing, yet perceive different images or meanings

Results have shown that employees who perceive their jobs as challenging and interesting display higher job satisfaction and motivation, leading to better job performance (DuBrin, 2000). According to DuBrin (2000) and Vecchio (2000) there are many barriers to the accurate perception of other people and their behavior, such as selective attention, denial, the halo effect, stereotyping and projection. These are however based on the unique characteristics of the individual, such as values, beliefs, norms and attitudes.

Keeny (1983) postulates that people tend to perceive according to what they believe is right or wrong, acceptable or not acceptable, as well as according to what they value as important or not. It is almost as if people have a pair of glasses tinted with the subjective colour of their underlying beliefs and values. Stereotyping occurs when your judgment or another person is based on that person's affiliation to a particular group. Thus personal attributes such as gender, race, age and even location are the basis for commonly held stereotypes. Avoidance of stereotyping is of particular importance in managing diversity, as stereotyping can form the basis of incorrect judgments based on people's attributes that relate them to a particular group of people, be it on the grounds of race, gender, age or disability

Attribution theory provides another explanation for distorted perception. Attribution theory describes the process by which people ascribe causes to the behavior they perceive. A major finding of attribution theory is that people tend to give relatively little weight to the circumstances when they judge other people. People are more likely to attribute a person's actions or results to personal characteristics such as appearance than to circumstantial forces (DuBrin, 2000). A manager who pressurizes employees to deliver a particular output in time is thus more likely to be perceived as impatient and autocratic rather than as caught up in a serious deadline. DuBrin (2000) also cites another finding of attribution theory, namely that people tend to attribute their achievements to their good inner qualities and their failures to adverse factors in their environment. A manager will thus be more likely to attribute record production to his or her good leadership qualities and poor production to lack of resources in the environment.

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1.2.2 Group Level

Apart from the fact that people are socially inclined, that is, that they tend to seek the company of others and form social groups based on similar interests, expectations and needs, organizations also inevitably force people to form formal and informal groups within the organization. As individuals differ in terms of their psychological make-up, they bring these differing attitudes, values, beliefs and norms into the groups that they become part of (DuBrin 2000). A group is commonly defined as two or more people who interact, share common beliefs, norms and expectations and work towards the attainment of a mutually important goal. The key attributes of a group are norms and values

Groups grow and develop through different stages and enhance the purpose of existence of the particular group (Hambrick, 1994). During these processes, people within groups come to share more and more the way they perceive things, what they value and what they regard as acceptable or unacceptable behavior. The formation of group norms during the group development process is important in determining the extent of group cohesiveness that binds group members together. These norms play an integral part in determining who fits into the group and who does not, and, ultimately, they direct the group members' behavior to new employees and to one another. Kreitner and Kiniki (1998) state that work groups transform individual employees into functioning members of the organization through very powerful, yet subtle, social forces. Norms are thus shared attitudes of group members with regard to appropriate/acceptable and inappropriate/unacceptable behavior in a variety of situations. Norms evolve because they help groups to clarify behavioral expectations, avoid embarrassing situations and clarify the group's values.

Values refer to people's beliefs about how things are and how they should be. Values incorporate that which a person deems valuable – they represent their needs, preferences and moral ideals (Barnard, 1993). Barnard also defines value as the normative standards that people use to evaluate their alternative choices. Values are thus not ideal states or choices of an individual, but rather the preferences that person holds both consciously and subconsciously. Mindell and Gorden (in Barnard, 1993) state that values are formed

during the process of need satisfaction and that they represent one's belief system that is applied universally to life, people and the self.

Furthermore, values underlie the formation of perceptions, beliefs and norms, which again ultimately directs behavior: When people form groups, they eventually come to share a specific set of values, which determine how they view other people who are not part of their group and which also determines their behavior towards other people (Kreitner and Kiniki,1998). The values that management holds as a selected group in an organization will determine decision making and problem solving in that organization with regard to selection, promotion and performance evaluation (Apparov 2000). Such values will also direct policies and procedures that will affect the way in which people are managed and motivated in general, as well as the way in which a diverse workforce with different sets of values, needs and expectations is managed.

People who share specific sets of values, beliefs and norms may also form a subculture within an organization. This may be in direct conflict with enhancing diversity in the workgroup as well as in the organization as a whole especially if the norms of subcultures lead to stereotyping, bias and informal and formal exclusion of other people from a specific workgroup, or even from informal group in the organization (DuBrin, 2000).

1.2.3 Organization Level

An important element of workforce diversity at organizational level is organizational culture. Managers however find it so difficult to manage and change their organizational culture probably because it is an abstract concept, the underlying dynamics of which primarily manifest them on a subconscious level. In simple terms, organizational culture has been referred to as "the way we do things around here".

In more formalized terms, there seems to be wide agreement that organizational culture refers to the pattern of shared meaning, values, beliefs and norms about work-related behavior the distinguishes that organization from another. On closer examination, Robbins (2001) ascribes the shared meaning to that which the organization values. Kreitner and Kiniki (1998) describe organizational culture as the set of shared, taken-for-

granted and implicit assumptions that the employees of the organization hold and which determine how they perceive, think about and react to issues and people in the work environment. Organizational culture is the pattern of basic assumptions that a given group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid and therefore be taught to new members as the correct way to perceive, think and feel in relation to these problems.

An organization's culture thus develops through the formation of assumptions and values based on how the organization has adapted to issues in its external environment, as well as on how new employees are integrated into the organization as effective employees. From the definition above it is evident that organizational culture has three important characteristics. First, organizational culture influences the behavior of employees at work including how they react and respond to other employees in or outside the organization. Secondly, the shared values and beliefs that underlie an organization's culture have an enormous impact on the organization's ability to adapt to change. Culture therefore also plays an important role in organizational resistance to change. Thirdly, culture represents the normative behavioral patterns adopted by employees, that is, what they deem acceptable or not, what they regard as effective and above-average performance, and what type of leadership styles they regard as appropriate and what not (Robbins, 2001)

Culture can be a barrier to diversity. Hiring new employees who, because of race, gender, disability or other differences, are not like the majority of the organization's members creates a paradox (Hambrick, 1994). Management wants new employees to accept the organization's core cultural values. Organizations seek out and hire diverse individuals because of the alternative strengths these people bring to the workplace. Yet these diverse behaviors and strengths are likely to diminish in strong cultures as people attempt to fit in. Strong cultures, therefore, can be liabilities when they effectively eliminate those unique strengths that people of different backgrounds bring to the organization. Moreover, strong culture can also be liabilities when they support institutional bias or become insensitive to people who are different.

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1.3 Importance of Workforce Diversity

The potential cognitive benefits of having a heterogeneous group stems from arguments that have to do with the impact of diversity on creativity (Hoffman & Maier, 1961) and requisite variety (Marrison, 1992). Mc Nerney (1994), for example argued that the quality of reasoning in majority opinions is enhanced by the existence of consistent counterarguments from a minority. Further, it has been argued that advantages accrue to organizations that match their internal complexity to the level of complexity in the external environment (Lawrence & Lorch, 1969).

Irrefutable measurable benefits can be derived from properly implemented policies to promote diversity (Jamrog, 2002). The most evident measurable benefits are improved bottom line, competitive advantage, superior business performance, employee satisfaction and loyalty, strengthened relationship with multicultural communities, and attracting the best and the brightest candidates.

Diversity initiatives benefit companies' bottom line and help them maintain a competitive edge, according to a 2001 survey by the Society for Human Resource Management and Fortune magazine (SHRM, 2001). The survey was mailed to 839 human resource (HR) professionals at Fortune 1000 companies and to the organizations on Fortune's list of the 100 best US companies to work for. Respondents were asked to indicate how diversity initiatives have affected 20 different issues relating to the bottom line. The respondents (n=87) to the bottom-line question indicated that diversity efforts make fiscal sense for their companies. The top five positive impacts on the bottom line were improving corporate culture (79 percent), helping recruit new employees (77 percent), improving relationships with clients (52 percent), higher retention of employees (41 percent), and decreasing complaints and litigation (41 percent) (SHRM, 2001).

"Recruiting and retaining people of diverse backgrounds who can share a common set of values and approach to business – is a priority for today's competitive organization" (McCormack, 2002) -Human resource professionals agree. Nearly 91 percent of respondents in the SHRM study believe that diversity initiatives help the organization keep a competitive advantage through improving corporate culture (83 percent),

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improving employee morale (79 percent), higher retention of employees (76 percent), and easier recruitment of new employees (75 percent) (SHRM, 2001).

Diversity in gender, race, and age on senior management teams is correlated with superior business performance in worker productivity, net operating profits, gross revenues, total assets, market share, and shareholder value (Beer et al.1984).

Diversity expert Robert Hayles states that "On complex tasks, with equally skilled leadership, diverse teams will out perform teams that aren't diverse" (Ideas and Trends in Personnel, 1997). Enhanced profitability is likely to accrue from cost savings and increased productivity. Reduced turnover is the saving most easily calculated from managing diversity (Morrison et al., 1993). When turnover occurs, the firm is likely to incur the costs of recruiting and selecting a new individual and of lowered productivity from having the position empty or filled by a less experienced employee. In addition, the firm will lose the company dollars invested for training and development of the employee who left (Beer et al.1984). For example, Ortho Pharmaceutical reported a saving of $500,000 largely from lowering minority turnover (Bailey, 1989). At Corning, the company estimated it was losing between $2 and $4 million a year from its significantly higher turnover of women and minorities compared with white men (Morrison, 1992). Cost savings are also likely to stem from reducing legal fees and company time spent on managing grievances. For example, AT & T was ordered by the US government to pay approximately $66 million to women who were denied benefits during pregnancy and after childbirth (Keller, 1991).

Improved communication among members of different cultures is another important Human Resource related outcome. As an executive from Xerox noted at a conference on diversity (Morrison et al., 1993) that people are more likely to reach out to others if they feel that their own needs are not being ignored. The most critical goal of Human Resource policies is to enhance performance of individuals and teams. At Avon, managing diversity is viewed as a necessary condition for enhancing performance. Promoting diversity attracts talented workers, reduces turnover, and unleashes creativity (Diversity Inc. 2002).

Attention to diversity increases employee satisfaction and loyalty (Anderson and Bostian, 2001). Companies with good track records of equitable opportunities will find it easier to recruit and retain talented women and ethnic minorities, who prefer to work where they can expect to advance (Larson, 2002). If new women and minority hires see no one who looks like them has ever made it into upper management, they will conclude that they have to go elsewhere for advancement (Gardenswartz and Rowe, 1998; Lewis, 2002).Strong CEO and upper-management support for diversity initiatives, along with affinity groups, mentoring programs, and work/life policies, build employee loyalty and a growing commitment to a company's business goals (SHRM, 2001; Diversity Inc. 2002).

1.4 Challenges of Workforce Diversity

The greatest loss to a company, when diversity is not a priority, is loss of potential business in the form of new customers in growth markets, customers who are proving increasingly loyal to companies that understand their culture and their needs (Diversity Inc., 2002). There are challenges to achieving inclusion through a commitment to diversity. Leaders need to achieve a balance between the human needs of diverse groups and the business objectives. Corporate leaders must focus on the implications of business decisions, policies, and practices on the diverse human component, the law, and the bottom line (Wheeler, 2001). Leaders face a number of challenges in attempting to maintain this balance, such as leadership, single work ethic, workplace authority, mentoring, new work configurations, and work-life balance.

According to annual surveys to identify top people management issues, leadership is, and has been consistently ranked as the single most important issue both today and in the future (HRI, 2002a). Even though the importance of leading a diverse workforce is evident, the availability of leaders is not. One in five of the largest US companies will lose 40 percent or more of their top executives through retirement BY 2015. There will be fewer younger managers available to fill the holes, as the number of 35 to 44 year-olds declines by 15 percent by the same time (Wellins and Byham, 2001). The goal for leadership development in the twenty-first century should focus on the development of cross-cultural leaders, resulting in a new generation of multicultural professionals (Thomas and Robbin, 1996).

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Another challenge is to have people from different cultures and ethnic backgrounds agree on a single work ethic. In addition to the impact of culture and ethnicity on achieving a single work ethic, leadership teams need to address differences such as age, business and personal experiences, education, family circumstance, gender, language, physical or mental ability or disability, organizational level, race religion, and sexual orientation (Anderson and Bostian, 2001).

Even more challenging can be creating professional agreement and understanding among people of different countries and religious traditions who have differing views about women and workplace authority. As these differences may be value based, creating an agreement requires creativity (Johnson, 2002). In today's diverse workforce, leader could likely face four generations of employees simultaneously, consisting of elders returning to the workplace, Baby Boomers, and members of Generations X & Y. The varying lifestyles, needs, work styles, goals, and demands of these age-diverse workers offer challenges to building trust and gaining commitment (Anderson and Bostian, 2001).

A quite different challenge is how to bring people from different backgrounds and from different parts of the globe together to interact in new work configurations such as virtual teams and strategic e-business partnerships (Koonce, 2001). Cross functional teams that operate in a virtual world where members communicate electronically may never meet face-to-face. The complexity of and comfort with technological interaction present potential barriers to understanding and to consensus decision making. The challenge of leaders of a diverse workforce is to develop strategies that both support employees and develop their organizations. (Carvel, 2001). The increased numbers of dual-career families and single parents require that organizations develop practices that encourage a culture in which people are happy about being able to meet the demands of their work, their responsibilities, and their interests outside of work (Drago, 2000).Managing diversity is more than merely valuing the differences among people. Managing diversity initiatives implies practices and interventions on all organizational levels to ensure systematic holistic and strategically aligned organizational performance.

On the individual level, managing diversity interventions should focus on exploring and understanding how individual differences impact on employee perceptions, attitudes, needs, expectations and behavior. This implies the exploration of the individual's

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propensity to change his or her usually hidden attributes, such as beliefs, attitudes and values, that impact negatively on empowering a diverse workforce (Apparov 2000). Interventions directed at the inter group level involve an examination of group-related values, beliefs and attitudes in order to increase awareness of differences, to lead to better understanding and to eliminate prejudices and stereotypes that inhibit constructive inter group relationships among employees. On an organizational level interventions should be aimed at identifying the barriers to organizational performance that exist in the organization's culture, policies, systems and procedures.

SECTION TWO

WORK FORCE DIVERSITY

2.0 Introduction

Research suggests that diversity in observable attributes (ethnicity/Race, gender, age and disability) may affect the cognitive outcomes (number of alternatives considered, quality of ideas, degree of cooperation in complex tasks) in groups in potentially positive ways (Cox et al, 1991 Mcleod & Lobel, 1992. Watson et al, 1993). Observable differences are likely to evoke responses that are due to biases, prejudices and stereotypes (Jackson et al 1987). This section covers racial/tribal diversity, age diversity and gender diversity in the work place

2.1 Diversity in Race/Ethnic Background

The composition of the USA's workforce is changing. According to the US Census Bureau '2002', non whites will represent more than one third of the US population by the year 2010 and close to half of the population by the year 2050.It is further projected that the largest minority group in the USA will be Hispanic-American population by the year 2010. This is a wake up call to businesses which are required to come up with Human Resources strategies to attract, recruit, develop and retaining a diverse workforce.

Most researchers who examine how diversity in race or ethnic background affects groups have studied racial diversity in terms of the experiences of individuals who are dissimilar from the majority in the group or from their supervisor. Findings suggest that individuals who are different from their work units in racial or ethnic background tend to be less psychologically committed to their organizations, less inclined to stay with the organization, and more likely to be absent (Tsui et al, 1992). In a similar vein, Greenhaus, Parasuraman, and Wormley (1990) found that blacks tended to be less satisfied with their careers than whites, perceived themselves to be less accepted by their organizations, and felt that they had less discretion than whites in the same organization.

Further, research on racial differences in performance ratings by supervisors indicates that blacks are generally rated lower than whites by supervisors (Lefkowitz, 1994) and

that blacks are rated lower than whites on both task and relationship-related dimensions of performance (Greenhaus et al. 1990). Greenhaus and colleagues (1990) also found that blacks were assessed as having lower potential for promotion and were likely to have stagnated in their careers. What is not entirely clear in the literature is whether the effects of race on performance ratings remain after ability and education are controlled.

In his study, Lefkowitz (1994) found evidence that hires that were black tended to be assigned to black supervisors more frequently than to white supervisors, a finding also reported by Waldman and Avolio (1991). McLeod and Lobel (1992) found that ethnically diverse groups made more cooperative choices from all-Anglo groups in a two-party prisoner's dilemma game. McLeod and Lobel (1992) found that groups that were heterogeneous with respect to the ethnic backgrounds of their members produced higher quality ideas in a brainstorming task than more homogeneous groups did, although they did not necessarily produce more ideas or a greater number of unique ideas.

In Africa, creating trust and confidence are essential elements needed for successful interaction in the workplace. Knowing work colleagues as individuals is very important, thus friendship comes first unlike in America who are interested primarily with getting the job done. The American Manager is inflexible when it comes to time thus things are done according to a fixed schedule. In African, especially in the rural areas, time is seen as flexible. Anyone in a hurry is viewed with suspicion and distrust. This lateness has become known as "African time". (Harris, 2004)

In a controlled experimental brain storming study, Orlando, R (2000), it was found that the ideas produced by ethnically diverse groups were judged to be of higher quality than the ideas produced by homogeneous groups. In sum, it seems likely that lower levels of attachment to the organization and lower performance ratings for minorities combine to drive minorities out of organizations at a faster rate than majority group members (Apparov 2000).

2.2 Gender Diversity

Key issues like work-family conflicts, child- care programs, duel career couples and sexual harassment at the work place affect performance (Antoni, 2001). According to

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Cascio w (2006), 50% 0f the management and professional jobs were held by women in 2002 in USA. Further, about half of all working women are single, divorced, widowed or heads of their families. As more women join wage-earning work, earning and employment patterns will continue to change (Cascio w, 2006).

Research on the effects of gender diversity in groups points to a similar set of processes and results as those found in the case of racial diversity. Cummings and colleagues (1993) found that women were more likely to be absent and to experience turnover than were men. They also found that belonging to the minority gender in workgroups appeared to have more negative effects on men than on women.

Tsui et al. (1992) found that subordinates who were dissimilar from their supervisors in terms of gender experienced higher levels of role conflict and role ambiguity than subordinates who were of the same sex as their boss. In terms of performance evaluations, supervisors reported greater positive affect for subordinates of the same gender and tended to rate their performance more highly (Tsui et al. 1992). Sackett and colleagues (1991) found that when women formed less 20% of the group, they received lower performance ratings than the men did, but when their proportion was greater than 50% they were rated higher than were men.

In sex-integrated firms, women viewed female partners more positively and behaved in more supportive ways toward their peers. Ely (1994) argued that differences in the representation of women at the top altered the perceptions of lower level women about the likelihood of advancement in the firm, thereby affecting their behavior. The findings reported by Ely (1994) and Sackett and colleagues (1991) draw attention to Kanter's (1977) idea that the proportion of representation is likely to be an important variable in predicting the outcomes of diversity. Hoffman & Maier (1961) however, found that gender diversity in groups facilitated creatively.

One issue surrounding gender as a dimension of diversity is the glass-ceiling syndrome, which refers to the difficulty women managers, have of advancing to the top (Dessler, 1994). Many women juggle work and family roles. This often causes personal conflict and the higher they raise in organizations the more that work demand of them in terms of time and commitment. (Cascio, 1998) Many women pay a high personal price for their

organizational status. Some are faced with broken marriages, while others choose never to marry at all. The damage can be minimized if most managers positively support the advancement of competent women. Smit (1999) states that only a handful of women manage to reach the top management level.

2.3 Age Diversity

The age of top management team members can have a significant impact on how the team makes decisions. Older team members may be more resistant to change, engage in less risk taking and make more conservative decisions (Wiersema and Bantel, 1992). In contrast, younger members may favor riskier decisions (Hambrick and Mason, 1984) and be better educated (Bantel and Jackson, 1989). With a mix of ages in at the top, the firm can gain benefits from both perspectives. Similar to groups that are diverse in race or gender, groups that have more diversity in terms of ages represented tend to have higher turnover rates (O'Reilly et al., 1989; Wagner et al., 1984). Not surprisingly, the people who are different from their group members in terms of age are more likely to turn over (Cummings et al., 1993; O'Reilly et al., 1989; Wagner et al., 1984). Cummings and colleagues (1993) also found that people who were different from the group in terms of age tended to be absent more frequently and tended to receive lower performance ratings than people who were more similar in age. Also, subordinates who are dissimilar from their supervisors in age appear to experience higher levels of role ambiguity (Tsui et al. 1992). Similar to racial and gender differences, age differences between a supervisor and a subordinate appear to be related to lower levels of positive affect for the subordinate on the part of the supervisor and indirectly to lower performance evaluations (Koonce, 2001) . Zenger and Lawrence (1989) reported that a project group's diversity on age was negatively related to the frequency of communications within the project group.

The results of research on directly observable attributes appear to be fairly consistent. Jackson and colleagues (1991) states that the more diverse a group is with respect to gender, race, or age, the higher its turnover rate and the more likely it is that dissimilar individuals will turn over and be absent. Stereotype and prejudices link old age with senility, incompetence and lack of worth in the labour force. According to Certo (2000) a research carried out by Sonnenfeld Jeffrey revealed that most managers view older

workers as "deadwood" and seek to remove them through incentive schemes, biased performance appraisal and other means.

With regard to actual work performance, the evidence of performance of older employees is mixed. Problems can occur for older workers when deployed in a plant job requiring considerable physical activity. Repetitive jobs that must be performed at a rapid pace present difficulties. Quality may be excellent but quantity may decline. However for cognitive activities especially those of verbal nature, older workers may be superior. Older workers suffer substantial performance deficits in the cases of obsolescence. This occurs when the person requirement of a job, which are demanded by tasks, duties and responsibilities become incongruent with the stock of knowledge, skills and abilities currently possessed by the individual.

Age in the African work environment is an important factor. It is believed that the older one gets the wiser one becomes as the individual has had many experiences. Young people may not oppose the opinions of the elderly. They may not agree, but they must respect the opinion (Harris et al., 2004).

SECTION THREE

GROUP DIVERSITY

3.0 Introduction

Emerging and future changes in the workforce have caused a need to examine potential impact of these changes on all areas of the firm and more so, the Top Management Team. With more diverse Top Management Teams, there is potential for both conflict and performance gains as a result of increased diversity at the highest level of the organization. This section focuses on diversity of Top management and non Management

3.1 Top management Team

Top Management Teams (TMTs) and their importance as potential determinants of firm performance continue to be a focus of strategic management researchers (Carson et al., 2004). Organizational scholars (Cox, 1991) have illustrated that demographic characteristics of TMTs has the potential to result in decision making improvement, greater creativity, more innovation and the ability to reach more and different types of customers. Diversity, which is defined as "any attribute that humans are likely to tell themselves, 'that person is different from me' " Carson et al., 2004).

Research on diversity is a challenge to review, because it spans multiple disciplinary boundaries, assesses the effects of various types of diversity focuses on many different dependent variables, and employs a wide range of types of groups and settings.

Resource dependence researchers have also contributed to a greater understanding of the benefits of TMTs. Pfeffer, 1983 found out that increases in TMT diversity enhances the organizations ability to acquire critical resources. These diverse teams are able to produce a wider range of solutions and decision criteria for strategic decisions. The advantages of TMTs do not come without some costs. There is a significant potential for conflict within diverse TMTs which in turn can slow down the decision making process resulting to inability to remain competitive. In order for teams to be efficient and effective, they must be able to reach a consensus regarding group decisions. In TMT as with any other group, there is potential for conflict among the team members. Initial conflict arise as the teams

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set norms (Carson et al., 2004). In TMTs, the decision making process can be another source of strive as many decisions are decided by majority vote. This type of decision often leads to 'winners' and 'losers'. The optimal way is for the group to arrive at consensus decisions (Coll et. 2001).

In constructive conflicts, members objectively discuss differences and arrive at consensus decisions. Constructive conflict is often characterized as (objective task) conflict which aids in the facilitation of shared cognitions leading to enhanced organizational performance. Destructive conflict has been characterized as relationship conflict or affective conflict which often degenerates into personal attacks and animosity. It produces negative effects on team satisfaction and commitment (Wall & Nolan 1986). The concern is that destructive conflict may lead to a polarization (Turner, 1987) of the group into warring factions, which may limit the team's ability to make timely and high quality decisions on behalf of the firm. These concerns are enhanced due to social categorization theory (Tajfel and Turner, 1985), which posits that individuals tend to group others and themselves into categories for purposes of making judgments or decisions. With increased diversity, whether it is from a demographic or work-related point of view, Top management teams face the very real threat to dissention within the team based on team members "Choosing sides".

Unfortunately, many of these categorizations are along racial, gender, color, religious, or cultural lines. Diverse groups often have a more difficult time developing cohesion due to differing backgrounds (Brown, 2000). Without group cohesion, many teams face increased hardships in developing interpersonal relationships so members rely on categorization or stereotyping of their fellow team members.

Making categorization decisions in Top management teams involves judgment, which is often clouded by the use of heuristics or rules of thumb in decision making (Ashforth and Mael, 1989). In this categorization process team members often fall prey to confirmation traps in which they have some preconceived notion about a person or group and if they find any evidence to support that notion, they fully commit to that decision based on a small amount of confirmatory evidence often ignoring additional information that could prove their confirmation inaccurate (Ashforth and Mael, 1989).

Cognitive biases and prejudices also play a role when categorizing in group or team settings. Unknowingly we may make discriminatory decisions or take discriminatory actions that are a reflection of our education, environment, or past encounters (Brewer and Miller, 1984; Abrams and Hogg, 1988; Brown and Capozza, 2000). These discriminatory behaviors are ingrained as non-discriminatory and involve the use of applying stereotypes and generalities to individuals with certain personal characteristics (Hogg and Abrams, 1990; Hogg and Turner, 1987).

A final source of categorization conflict involves politics and power. Members of the "in-group" have greater access to obtaining political skill (Ferris et al., 1993) while members of the "out-group" traditionally women and other minorities have a much more difficult time in obtaining those skills.

A group that is diverse could be expected to have members who have had significantly different experiences and, therefore, significantly different perspectives on key issues or problems (Jackson et al. 1987). Recognizing the importance of leadership diversity is only the first step. No change will occur unless an effective strategy is developed for achieving inclusion through a commitment to diversity at all levels of the workforce, especially at the senior management levels, where it is most strategically important and least in evidence (Conklin, 2001). "Such a strategy should involve a systemic, results-oriented, business-based approach" (Fitzpatrick, 1997).

3.2 Non Management Team

Considering a level where employees can directly affect change is the use of a diverse workforce at the lower level in the organization. The increase decisions making creativity and differing viewpoints must be present in the non managerial ranks of the organization if the full positive performance effects of diversity are to be derived. As competition pressures continue to increase in the business world, firms will have to find something that provides them with a sustainable competitive advantage. With the world shrinking due to increased communication and global focus, one way to gain competitive advantage is through the use of a diverse workforce. The diverse workforce will be able to deal better with and adapt to the varied needs of the employee.

When employees perceive the workforce to be diverse, this should lead to an increase in performance due to the aforementioned effects which include ability to attract and retain the best talent possible, reduced cost due to lower turn over enhanced market understanding , greater creativity and innovations, better problem solving organizational flexibility, better decisions making and better organizational performance. If firms' top management believes in the advantages that diversity brings, they should emphasize hiring a diverse workforce in non managerial positions within the firm in order to capitalize on creativity and innovations. If a firm is missing diversity at either upper or lower levels, this brings in to question their reasons for using diversity. Organizations which take diversity seriously as a key to competitive advantage would be more likely to stress diversity at all levels in the organization.

3.3 Theories of Top Management Team Diversity

Upper Uchelon Theory- In their 1984 theoretical paper on Upper Echelon Theory, Hambrick and Maron suggested that top management characteristics, specifically their demographic characteristics could impair decision making and thus firm performance.

The upper echelon theory has foundations in the concept of dominant coalition whish suggests that

> ' The human social biases, filters and idiosyncratic processes at the top of the organization substantially influences competitive behaviors (Hambrick et al., 1996)'.

These competitive behaviors are likely to influence firm performance. TMTs are important determinants of a firm's success. Research has shown that workforce diversity can provide for positive organizational outcomes such as increased morale, higher satisfaction greater commitment and improved performance (Wright et al., 1995). One of the core fundamental of upper echelon theory is that demographic characteristics are tangibly intertwined to the psychological and cognitive elements of the executive orientation (Knight et al., 1999). In turn, TMT demographics are used as extended referents of executive orientation. The orientations, a direct result of demographic

characteristics effect strategic choices and decisions and therefore have tangible effects on form outcomes (Carson et al., 2004)

Resource based view - Strategic human Resources Management is a means of gaining competitive advantage through one of a company's most important asset, its people. Resources confer enduring competitive advantages on a firm to the extend that they remain scarce or hard to duplicate, have no direct substitute and enable companies to pursue opportunities. (Wright et al., 1995). Orlando, C (2000) noted that in order fort he human capital to contribute to sustainable competitive advantage, it must create value, remain hard to imitate and appear rare. Cultural diversity serves as a source of competitive environment because it creates value and is both hard to imitate and rare.

Organizations may increase their number of women and racioethnic minorities to better match the demographic characteristics of their significant customers in order to achieve a competitive edge in the market (Cox, 1993). As firms reach out to broader customer base, they need employees who understand particular customer preferences and requirements (Orlando, 2000). The insights and cultural sensitivity that the women bring to a marketing effort improve an organizations ability to reach different market segments (Cox et al., 1991). Organizations may also select women and minority groups to gain alternative perspectives necessary in a changing or turbulent environment (Cox, 1993) as these minority views improve the quality of thought, performance and decision making.

Many valuable resources are protected from imitation not by property rights but by knowledge barriers. Proponents of the resource based view recognize the nature of human resources by focusing on their subjectivity, ambiguity and creativity (Orlando, 2000). Human Resources, particularly diverse resources are protected by knowledge barriers and appear socially complex because they involve a mix of talents that are elusive and hard to understand. Therefore an organization with a diversity of perspectives should have more resources to draw on and should be more creative and innovative. The value obtainable from large number of diverse individuals who work together is quite high, and in most cases a given mix is impossible for competitors to imitate.

A strategic asset should be rare in order to offer sustained competitive advantage. Cultural diversity creates tremendous potential for a firm to exploit the rare

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characteristics of a diverse employee base for competitive advantage (Wright et al., 1995).

SECTION FOUR

FIRM PERFORMANCE

Business today is facing an increasingly competitive and changeable environment. To perform well amidst growing competition, greater efficiency is required. To cope with the change, firms must be more adaptive. The performance of a firm can be measured in various ways. One measure separates firm performance in to two broad ways. Firstly, some assess the stewardship of the top management or how efficient the firm utilizes its resources to produce a profit. Since the period considered is usually brief, these measures can be interpreted as indicators of how well fitted the firm is to present conditions.

The second set of measures is based on the prevailing price of a firms stock. The efficient markets hypothesis states hat the stock price multiplied by the number of shares outstanding is the best available estimate of the true value of a firm. Some studies have shown that team heterogeneity had opposite effects on performance depending on the measure of heterogeneity selected. Wiersema (1992) stated that heterogeneity on age, organizational tenure and team tenure were not significantly associated with strategic change of experience.

Interest in Executive diversity has surged in recent years. Among researchers fueling this surge, many have argued that higher level of diversity leads to executive creativity, more effective executive decisions and better firm performance. (Jackson 1989) other researchers, however have argue that higher levels of executive diversity results in less communication among executives decision making and less positive organizational outcomes.(O'Reilly, 1993). Demographic diversity typically is not hypothesized to have direct effects on processes or outcomes, but is hypothesized to have indirect effects through cognitive diversity (Glick et al 1993).

When one asks why firm are not performing well, one can look at two process variables which meditate between diversity and firm performance. These process variables are the comprehensiveness of strategic decision process and extensiveness of planning. Comprehensiveness is defined as the extend to which upper-echelon executive group utilizes an extensive decision process when dealing with immediate opportunities and threats (Fredrickson and Mitchell, 1984) Behavioral indicators of the level of

comprehensiveness include the extent to which brain storming sessions occur, the number of alternative solutions that are seriously considered and the extend to which quantitative analyses are conducted. The amount of investigative work carried out to handle an immediate situation is the key.

Extensiveness of strategic planning is defined as the extend to which the upper echelon executive group utilizes a substantial planning process to formulate long term goals and strategies for the firm. The same behavioral indicators relevant for comprehensiveness are relevant for extensiveness, but rather than examining those indicators in the context of current problem solving for immediate opportunities and treats, they are examined in the context of long term planning.

SECTION FIVE

WORKFORCE DIVERSITY AND FIRM PERFORMANCE

Business today is facing an increasingly competitive and changeable environment. To perform well against growing competition, greater efficiency is required. To cope well with change, firms must be more adaptive. Hambrick and Mason (1984) studied top management groups and linked group characteristics with firm performance and other variables. It is argued that a heterogeneous group will operate more efficiently in a stable, competitive environment.

According to Wagner, Pfeffer and O,Reilly (1984), homogeneous groups have the advantage of exerting more influence on their groups members, and tend to be more cohesive which produces greater conformity. Further, members of cohesive groups also display high levels of interpersonal communication. Individuals derive their values from the society they grow up in. They are imparted by the historic events which occur during their formative years. Individuals similar in age are molded by a similar environment and tend to emerge with similar values. Those coming in at top management will be less socialized in adapting the organizational norms and values than longer tenured members. Newcomers will introduce different non adaptive values. This will increase the likelihood of misunderstanding and mistrust which will in turn elevate the level of conflict. Conflicts in heterogeneous groups may however be productive since resolving the conflict can lead the group to new and better solutions to the problem of environmental adaptability.

Hambrick and Mason (1984) argued that differences in Top Management Teams back grounds may be associated with less strategic consensus and subsequent poorer performance, due to decreased communication and increased conflict. Dess and Origer (1987) however proposed that a firms industry environment will moderate that entire relationship. Dess (1987) contended that firms competing in a dynamic industry may accurately benefit from less demographic homogeneity and less strategic consensus. A diversity of opinions to potential competitive moves and likelihood of success would be more representative of an unstable and complex external environment.

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Bantel and Jackson (1989) concluded that when solving complex, non routine problems, groups are more effective when comprised of individuals with diverse skills, Knowledge, abilities and perspectives. The growing demographic diversity may be accompanied by a parallel increase in cognitive or attitudinal diversity, according to literature on Organizational demographics. The assumption is made that demographic variation signals variation in underlying and invisible cognitive processes. From this perspective, Diversity may have important effects of firm performance. Proponents of diversity maintain that different opinions provided by diverse groups make for better quality decisions (Cox, 1993, McLeod et al., 1992) Minority views stimulate consideration of non obvious alternatives in work setting (McLeod et al.,1992) and appear useful for making valuable judgments in novel situations. Heterogeneity in decision making and problem solving styles produces better decisions through the operation of a wider range of perspectives and more thorough critical analysis of issues (Jackson, 1992).

Results from a controlled experimental brain storming study showed that the ideas produced by ethically diverse groups were judged to be of a higher quality than the ideas produced by homogeneous groups. Barney and Wright (1998) noted that in order for human capital to contribute to sustainable competitive advantage, it must create value, remain hard to imitate and appear rare. Cultural diversity in human capital serves as a source of sustained competitive advantage because it creates value that that is both difficult to imitate and rare. Organizations may increase their numbers of women and racial-ethnic minorities to better match the demographic characteristics of their significant customers in order to achieve a competitive edge in the market. In his research, Smith et al. (1994) concluded that the relationship between team demographic and organizational performance are not straight forward or as simple as scholars have previously believed. Homogeneity along demographic markers does not necessarily engender homogeneity in attitudes, beliefs or values. One of the puzzling results in the decision making literature has been the wide array of individual cognitive styles characteristic of people homogeneity on demographic indicators.

The chief causes of failure in multinational ventures often stem from a lack of understanding of basic differences in managing human resources at all levels. The major shift toward a service economy means that employees need to be able to "read" customers who are likely to be increasingly diverse (Kossek & Sharon, 2000). Roughly,

87% of US employees work in the service based industries. Service jobs such as in banking, financial services, health services, tourism and retailing imply lots of interaction with customers. Similarities in culture, dress and language between service workers and customers creates more efficient interaction between them and better business for the firm (Cascio, 2006).Managers from different countries tend to have different frameworks for approaching a wide range of issues (Hofstede 1980). Similarly, research suggests that people of similar ages tend to view the world in general in terms of reflecting shared experiences and socialization (Tsui et al 1992) with older cohorts tending towards increased intracohort heterogeneity on a wide variety of characteristics.

SECTION SIX

HUMAN RESOURCE STRATEGIES AND FIRM PERFORMANCE

In order to achieve a more diverse workplace, there must be involvement of management in all aspects of the process. Top management plays a crucial role in making diversity a success. Leaders must be the first to receive training to address myths, stereotypes, and real cultural differences as well as organizational barriers that interfere with the full contribution of all employees. Organizations have to make continuous learning a must for trainers.

An organization's culture determines the ability of members from other groups to perform within the organization. Members of diverse groups appear to communicate more formally and, perhaps, less frequently with each other than members of less diverse groups, but they may communicate more frequently with those outside the group. One of the ways in which groups may benefit from skill-based diversity is greater communication with non group members displayed by members of diverse groups (Ancona & Caldwell, 1988).

Individuals from minority groups face challenges everyday dealing with prejudice, discrimination, and stereotyping. Prejudice is defined as "an adverse opinion or judgment formed beforehand or without full knowledge or complete examination of the facts; a preconceived idea or bias" (Webber, 1984). Prejudice can be both positive and negative. To discriminate is "to make a clear differentiation and act on the basis of prejudice" (Webber, 1984). Discrimination can include bias towards a person based on their group identity. Minority group size may determine the level of discrimination. Stereotyping also presents an obstacle for minority groups. Stereotyping is saying that "one, as a person, group, event, or issue is thought to typify or conform to an unvarying pattern or manner, lacking any individuality" (Webber, 1984). So, it is to say that by doing so, we view individuals as members of groups and associate information that we store in our minds about that particular group to the individual. Stereotyping is a factor in lower acceptance of minority group members as leaders, job segregation based on identity, and differences in hiring and performance ratings between majority and minority group members (Cox, 1993).

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In order for minority group members to overcome these challenges, organizations must set realistic goals for its leaders as well as its employees to work towards. Three types of organizational goals contribute to the growth of the diversity movement.

First, organizations must center round a goal of social justice. This has to do with the moral, ethical, and social responsibilities that guide efforts to improve the conditions of racio-ethnic and gender minorities.

Second, legal obligations require organizations to improve racio-ethnic and gender equality. Affirmative action is a key mechanism in meeting legal obligations and refers to positive efforts necessary to eliminate racial and gender discrimination in education and employment.

Third, there is an increased focus, especially by US businesses, to maintain and increase competitiveness in the global marketplace. Corporations acknowledge cultural diversity as a necessary factor in competing in the multinational business environment. For the first time, corporate America sees diversity as having a significant influence on performance and profitability (Ramakrishnan and Balgopal, 1995).

Implementing and achieving these goals is very important especially since cultural clashes can be a significant drain on the energy of the people involved, thus bringing down the productivity of the company (White, 1999). Changing demographics challenges policy makers to improve productivity as well as to improve workers' education and skills to perform new jobs in service and high-tech industries. Diversity must be part of an organization's strategic business objective. Diversity goals must be linked to business goals, not just meeting affirmative action legal requirements. Diversity must be stressed internally as well as externally through outreach programs within the community. Top Management Teams must be held accountable for meeting diversity goals. Performance evaluations and rewards should be tied to a manager's ability to develop and manage a diverse workforce. Top management must ensure fairness when it comes to compensation.

A company must improve its supply of diverse workers through recruiting. It must break the "glass ceiling" and increase the number of women and minorities in the higher salary

groups through career development, mentoring, and executive appointment. It must encourage all of its employees to use their full capacity within the organization. Efficient lines of communication must be established in order for employees to communicate new ideas, problems, grievances, input, and feedback. A company must value diversity. The main objectives of valuing diversity include awareness, education, and positive recognition of the differences among people in the workforce. A cultural environment must allow differences to be celebrated instead of merely tolerated.

All employees must understand the competitive and moral advantages of diversity. They must respect and support cultural diversity through the recognition of cultural and religious holidays, observances, practices, and diet restrictions. Often, an organization must undergo a "cultural transformation" before it can successfully achieve the full benefits of diversity (Carnevale, 1994). Strategy is logic for how to achieve movement in some direction (Kotter and Heskett, 1992). Strategy determines how tasks, technology, and people should be organized to enable the organization to meet desired global objectives. It is assumed that HR policies shape employee attitudes and behaviors and reinforce the organizational culture, thereby affecting the success of strategy implementation and the organization's ability to adapt to environmental change.

For some firms, increasing diversity is viewed as an end in itself that is as a way to respond to environmental drivers, such as legal mandated or changing demographics. Managers are not completely sure of the organizational objectives they hope to achieve by enhancing diversity: they just know that they should, or by virtue of what is available in the labor market have to, have a more diverse workforce. For other firms, diversity may be seen as a means to increase performance (Morrison et al., 1993)

At Digital Equipment Company, members are encouraged to respond to, acknowledge and reward different opinions. The Top Management Team believes that a common acceptance of diversity will enable the firm to be more effective globally and respond to many varied customer demands. Having scanned the environment and developed an organization's strategy, it is now critical to see whether the existing mix of HR practices reinforces the skills, attitudes, and behaviors necessary to implement the strategy.

On the individual level, managing diversity interventions should focus on exploring and understanding how individual differences impact on employee perceptions, attitudes, needs, expectations and behavior. This implies the exploration of the individual's propensity to change his or her usually hidden attributes, such as beliefs, attitudes and values, that impact negatively on empowering a diverse workforce (Apparov 2000). Interventions directed at the interpersonal or inter group level involve an examination of group-related values, beliefs and attitudes in order to increase awareness of differences, to lead to better understanding and to eliminate prejudices and stereotypes that inhibit constructive inter group relationships among employees.

On an organizational level interventions should be aimed at identifying the barriers to organizational performance that exist in the organization's culture, policies, systems and procedures. A Summary of the critical diversity issues is given in Table 1 below

Critical diversity management issues

Individual	Interpersonal	Organizational
- Self-awareness Broadening the diversity focus • Shared and unshared values • Racism, sexism, prejudice and guilt • Paradigm shift to viewing managing diversity as an asset • Responsibility for self-development and empowerment • Skills development • Accountability and individual ownership • Career progression Accepting, respecting and valuing diversity • Language and communication training	• Stereotyping • Cultural assumptions subtle and overt career sabotage • Communicating the unwritten rules • Dynamics of communicating across diversity • Managing resistance, conflict and expectations • Development of trust and respect • Support systems, e.g. mentoring systems • Innovation through diversity interaction • Facilitating communication across levels	• Implication of changes in demographics and the sociopolitical environment • Diversity of the organization and the market place • Beyond a culture of "one size fits all" • Individualizing – not standardizing policies, systems and practices (e.g. recruitment , performance management) • Role of leadership and change agents • Organizational development and the learning organization • "Membership of club" Glass ceiling

Source: Adapted from De Beer & Radley, 2000, pp 8

SECTION SEVEN

ENVIRONMENTAL FACTORS

7.0 Introduction

Demographic diversity is caused by demographic factors in the environment. Other factors include social, economic, technological and legal status of a country which act as environmental drivers of change in creating and enhancing diversity in organizations (Antoni, 2001)

7.1 Demographic Factors

Demographic changes in the workplace take place because more females, minorities, people from different ethnic backgrounds, aging workers are joining the workforce (Wentling & Palma – Rivas, 1998). These changing demographics of the workplace are also changing the demographics of the market place. The payoff desired is the ability of the organization to better understand and respond to customer needs and to relate to the new consumer at a personal level. An increased number of women in the workforce mean that organizations have to deal with issues such as work family conflict, childcare, and career couples and sexual harassment. According to Cascio (2006) over the next 25 years, the US workforce is expected to be more diverse. All employees therefore need to understand and value different races, ethnic groups, cultures, languages religions and family structure.

Young employees represent challenges in communication and management training (Pratkans & Tusner, 1996). In America, workforce 2000 data is considered an excellent source of information about the complexity of the American work force (Chima, 1999). This data indicates future trends in the work force, which will include more females, minorities, immigrants and disabled people. This data further indicates that 85% of all new entrants to the United States workforce between 1985 and 2000 were women, African Americans and immigrants.

7.2 Cultural factors

People from different cultural backgrounds possess different attitudes, values and norms. One of the areas of cultural differences is the contrast between individualism and collectivists. Collectivists emphasize the needs of the group like social norms, shared beliefs and cooperation with the group members. In general, Asians, Hispanics and blacks have collectivist traditions while the Europeans have traditions of individualism. The extend of peoples cultural beliefs has been used to predict the effectiveness of many management practices. People from cultures that view relationships in terms of hierarchy have a preference for highly structured teams. People from cultures that see relationships in terms of groups want teamwork to be the norm and people from cultures that emphasize the individual feel most comfortable with voluntary and informal teams. Mixing these culture types can have a significant impact on an organization (Perkins, 1993). Within today's cultures, People with physical observable features (phenotypes) that are different from those of the majority tend to have less favorable work experiences and career outcomes such as satisfaction, compensation, and promotion. Research in past years has revealed that strong identification with the majority culture enhances one's career outcomes (Carnevale and Stone, 1994).

Another important feature that varies from one country to another is the prevailing attitude to time. Research by Badaway (1980) indicates that managers in the United States of America are time conscious (Harris P, 2004). Strict adherence to deadlines is assured and promptness is expected in keeping appointments. Managers in the Middle East and Africa on the other hand have a vague concept of time. Before they start transacting a business, they prefer to establish a personal relationship with the other party by just having coffee, talking and beginning to build a relationship based on trust (Harris P, 2004). In the African Society, the basic unit is the family which includes the nuclear family and the extended family or tribe (Harris, p 2004). No unit has the more importance than the tribe. In political terms, the tribe is equivalent to a nation. In Europe and America, ethical and moral standards are not given by national sanctions but rests on religious and cultural traditions common to the whole continent. In Africa, the tribe bears the moral connotation and provides for both emotional and physical security (Harris, P 2004).

During mergers, acquisitions and international alliances, partners knit together, financial, technological, production and marketing resources. A major resource also includes people which mean creating a partnership that spans different corporate cultures. According to research by Hewitt Associates survey (Cascio, 2006); integrating cultures is the top challenge of mergers and acquisitions. Corporate cultures differ in customs of conducting business, how one is expected to behave and what kinds of behavior are rewarded. Both managers and workers need to understand and capitalize on diversity as companies combine efforts to offer products and services to customers in far flung markets. Successful operations demands effective cultural adoption of products, business practices, institutional arrangements, employment policies and personal attitudes (Loder & Rosener, 1991).

7.3 Economic Factors

Throughout the world, companies are restructuring and repositioning themselves in different countries. Companies are merging and establishing new offices in other countries (Antoni, 2001). Human Resource management in this global economy is clearly more complex. Many companies establish branches in other countries, thus competing in a global market. To have a competitive advantage, organizations utilize diversity to enhance effectiveness of the organization in dealing with its diverse customer base. Baytos (1995) states that a diverse workforce is driven by the notion the "diverse work teams may out perform homogeneous work teams in a global market". Global business is being able to conduct business in different countries with diverse values or styles, and this seems the most possible with a heterogeneous work team. Globalization of organizations has led to the need for multicultural perspectives so as to compete successfully abroad (Hambrick, 1994).

To understand, attract and respond properly to a diverse customer base, businesses need to make their own workforce more diverse. Organizations can communicate with and serve diverse customers more effectively if they have employees who represent the diverse market (Certo, 2000). Diversity must be managed through working the local presence or by merging corporate cultures. (Cascio, 2006)

7.4 Technological Factors

Technology has made it possible for a more diverse group of people to work than in the past. Increasingly, the disabled and other individuals are able to have their talents tapped due to opportunities from telecommunication, teleconferencing, and computer technology advances. Technology also leads to an expanded base of sources of customer information (Harish & Verma, 1996). Increasing diverse employees with more varied capabilities will have greater access to more information more rapidly than ever before. Competitive advantage will come not from mere investment in new technologies, but from a firm's ability to apply new technologies more rapidly and more effectively than others. This ability depends on the skill and motivation of the workforce (Pfeffer, 1983).

7.5 Legal and Government forces

Legal and government forces also have an impact on managing diversity and other organizational strategic choices. The Civil Rights Act of 1964 and the Executive Order which created affirmative action have been at the root of the managing diversity approach in many organizations in the United States of America. In recent years, a host of new legislation, relevant to diversity has been enacted. Legal factors prevent and reduce discrimination lawsuits related to gender, race, age, religion, disability and sexual harassment. Discriminatory employee practices have negative effect on organizations such as increased turnover, absenteeism, low morale, low productivity and loss of customers. Organizations therefore need to know the legislations related to employment practices as the legal consequences resulting from discrimination of low skills in South Africa can be costly to the organization (Chima, 1999). In south Africa there exist the following acts which address diversity issues in the work place (Antoni, 2001).

i.   Employment Equity Act 55 of 1998 which aimed at providing equal opportunities in the work place, irrespective ones race, gender, ethnicity, age, national origin, religion and disability.

ii. Labour Relations Act 66 of 1995 which advances economic development, social justice, labour peace and the democratization of the workplace.

iii.   Skills Development Act 97 of 1998 which aims at improving employment prospects of persons previously disadvantaged by unfair discriminations and redress those disadvantaged through training and education.

SECTION EIGHT

CONCLUSION

A lot of research has been undertaken in diversity mainly in America and South Africa because of the racial segregation between whites and blacks. Lately Australia, Canada and parts of Europe also have a lot of research in that area because of the raising number of immigrants. In Kenya, which has been hit a lot by tribalism, there is little research on how organizations especially in the service sector handle diverse employee. Managing Diversity is important because in today's business environment, diversity affects all aspects of life especially in the business world. It is difficult to find a business in this day and age that does not serve customers/clients of diverse backgrounds in one way or another. By creating a diverse workplace, managers are more capable of dealing with diversity within their organization as well as externally in the community. When considering the goals, strategies, advantages, and disadvantages of creating and managing a diverse workplace an organization should ask themselves if they could accomplish these factors and become a successful diverse organization. Diversifying the work place will allow for organizations to gain a competitive advantage within their particular industry or market.

There is great debate in the performance measurements literature regarding whether the use of objective or subjective measures provides the most valid results. Both measures have both advantages and disadvantages. Objective measures tend to be more concrete, but offer limited scope to financial data. They often limit the breadth and scope of organizations that can be included in a study since organization from a simple industry are needed for valid compassion purpose with objective measures. Subjective measures on the other hand lack concreteness on reproducibility, but often provide the researcher with a richer description of the effectiveness of an organization with respect to their competitors. They allow a broader range of organization to be compared within a simple study. They also include the perceptual component of analysis. Performance thus may be considered in terms of quality, productivity, market share, profitability, return on equity and overall performance.

To be successful therefore, managers need to "unlearn" practices rooted in an old mind set, change the ways organizations operate, shift company culture, revise policies, create new structures, and redesign human resource systems. Diversity initiatives can improve the quality of an organization's workforce. Organizations spend a large sum of their budgets on human resources in the form of salaries, benefits, training development, and recruitment. In order to get a good return on their investment in human capital and maximize their competitive advantage, it is important to recognize that the workforce will grow in the number of women, people of cultures and ages each year.

8.1 Conceptual Framework

The literature review indicates that there are several variables that affect the relationship between Workforce diversity of Top Management Teams and firm performance. It further shows that managing workforce diversity using Human Resources Strategies leads to enhance firm performance. This interrelationship is captured in figure 1, a model depicting the conceptual framework of the study.

Figure 1: Conceptual Model of the factors that affect the relationship between Diversity of Top Management Teams and Firm Performance.
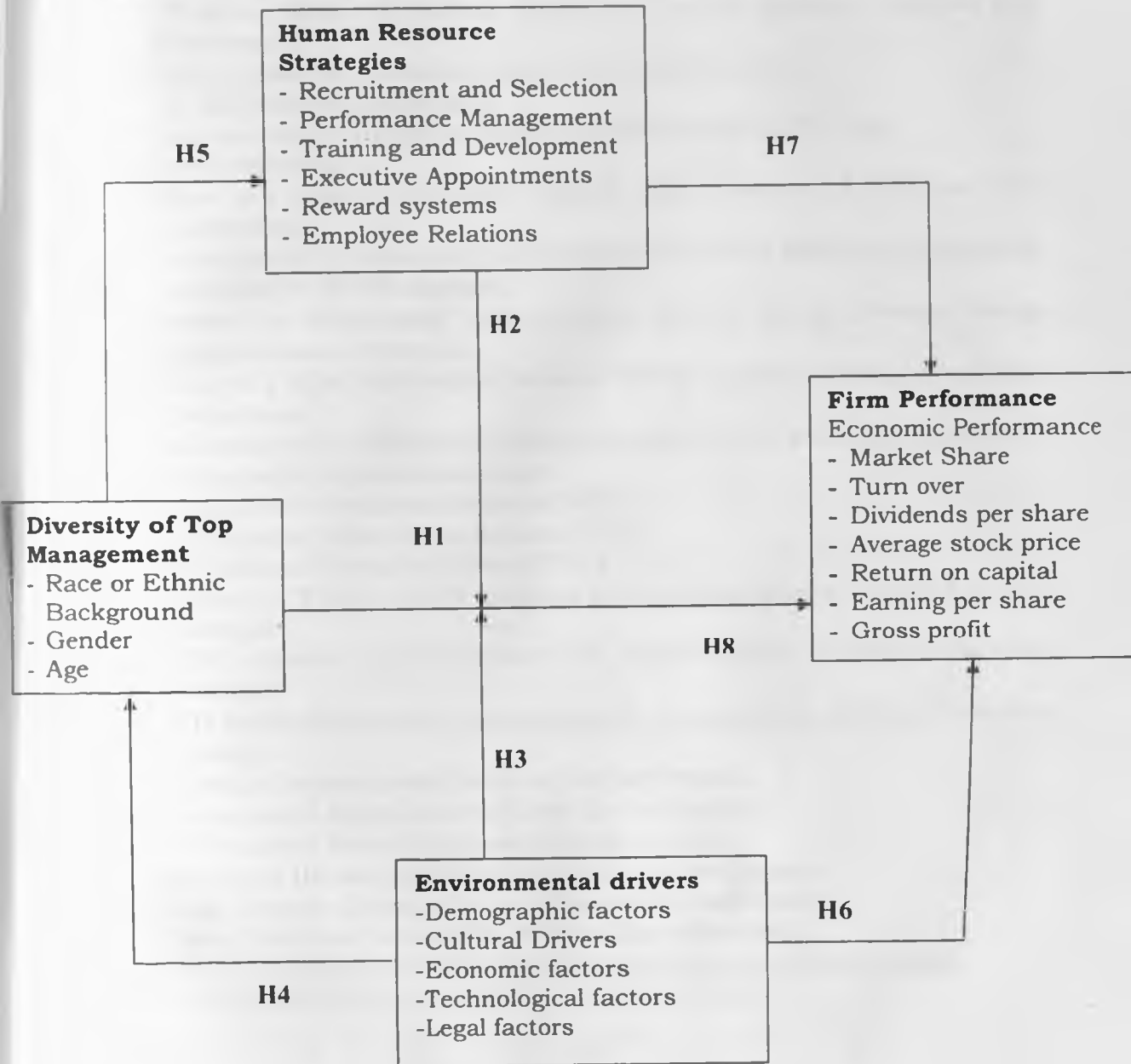
Source: Researcher, 2009

8.2 Hypothesis for Empirical Testing

The following hypothesis are developed from the conceptual framework

H1   There is a direct link between diversity of Top Management Teams and Firm Performance.

H1a. There is a positive correlation between racial/tribal diversity of TMT and Firm performance

H1b. There is a positive correlation between Gender diversity of TMT and Firm Performance

H1c. There is a positive correlation between tribal diversity of TMT and Firm Performance

H2   The strength of the relationship between diversity of TMT and Firm Performance is moderated by the HR strategies.

H2a. Diverse Top Management Teams are more likely to Manage Diversity through Human Resource Strategies

H2b. There is a direct relationship between Human Resource Strategies and Firm Performance

H3   The strength of the relationship between diversity of TMT and firm performance is moderated by environmental factors

H4   Influence of environmental factors on TMTs

H4a   Environmental factors do not influence TMTs

H4b   Environmental factors do influence TMTs

H5   Influence of TMT on the development and implementation of Human Resources Strategies

H5a   TMTs influence the development and implementation of Human Resources Strategies

H5b   TMTs do not influence the development and implementation of Human Resources Strategies

H6   Influence of environmental factors on firm performance

H6a   Environmental factors do not influence firm performance

H6b   Environmental factors do influence firm performance

H7   Influence of Human Resources Strategies on firm performance

H7a   Human Resources Strategies do not influence firm performance

H7b   Human Resources Strategies do influence firm performance

H8 Diverse Top Management Team influence firm performance when moderated by Human Resource Strategies and environmental factors

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