Diversity in the Workforce

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Abstract

This paper explores the various ways in which a diverse workforce may contribute to innovation in an organization. This exploratory paper will present the theoretical foundation that this study is based upon, the definitions of innovation and diversity and the results of existing research on whether a diverse workforce contributes to the innovation of an organization. Finally, testable propositions will be developed for further investigation.

The changes in our world indicate that a diverse workforce is beneficial to any organization (Gomez-Mejia, Balkin, Cardy, 2007). This occurrence is partially due to businesses becoming more global in order to capture a share of the market. After the Civil Rights Movement of the 1960s, Affirmative Action and subsequent changes to Equal Employment Laws, the realization was that these laws forced compliance, but businesses realized that to remain innovative, the embrace of diversity was important for organizations and the economy of a country (Sohail, et al., 2011). The Hudson report (Carrell, Tracey, & Sigler, 2006; Noe, Hollenbeck, Gerhart, & Wright, 2010) states 75% to 85% of those entering the workforce in the United States after 2000 would be minorities.

Diversity has the potential to be highly advantageous to organizations. For example, Pelled, Eisenhardt and Xin (1999) contend “the knowledge-based view and decision-making perspectives have been used to suggest that diversity promotes creativity and improves decision-making effectiveness, and hence, lead to superior performance” (Richard, Murthi, Ismail, 2007, p. 1214).

Diversity has also been tied to several other performance indicators in organizations including sustainability (Cox, Lobel, and McLeod, 1991), and productivity (Barta, Kleiner, and Neumann, 2012) who report that there is a direct correlation between a diverse workforce and productivity. Ilmakunnas and Ilmakunnas (2011) also studied the effect of diversity on productivity and contend that individual creativity and frequency of communication of a diverse workforce contributed to productivity. The collective combination of knowledge within organizations stems from the diversity of human capital. The shared experiences, training and racial/cultural diverse human capital contributes to innovation which has positive results on productivity within organizations (Okoro & Washington, 2012).

In this paper, the relationship between diversity and innovation in organizations is of interest. While several authors (for example - Skarzynski and Gibson (2008); Sohail, et al., (2011); Richard (2000, 2003); Hoffman (1985)) have argued that diversity has positive effects on innovation, others (for example - (Carrell, Mann, and Sigler, 2006; Jayne & Dipboye, 2004; Simons & Rowland, 2011) have argued otherwise.

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In this paper, I review diversity and the theoretical concepts related to diversity, and then propose several testable propositions to investigate the relationship between those concepts and innovation within organizations.

**Literature review**

**Innovation**

Understanding the meaning of innovation and how one measures innovation is paramount in understanding how diversity directly or indirectly affects it. Innovation in the simplest terms is the introduction of something new. According to Frakelius (2009) it is "an innovation is something original, new, and important - in whatever field - that breaks in to (or obtains a foothold in) a market or society." Sohail et. al (2011), have stated that “a comprehensive definition of Innovation is Changes in large number of firms’ activities that improves the firm performance” (p. 259).

Some things are easier to measure such as increased revenue, increase in sales and production output, but innovation is more complicated but can be measured. The measurement of innovation is based on the increase number of new ideas, improved quality of ideas, more efficient implementation of ideas, and improved results based on the implementation of quality ideas.

Innovation in today’s global and competitive businesses must capitalize on all talents of human capital. Okoro and Washington (2012) believe innovation when based on a diverse workforce provides an opportunity for competitive advantage through improved decision-making. Basset-Jones (2005) stated the same and in provides for continuous improvement in both products and processes to support a strategy for delivering high-perceived value to the customer. In addition Basset-Jones felt innovation provided for cost reduction through process improvement. Innovation is the philosophy of many competitive companies such as Verizon, Cisco, Coca Cola, Lockheed Martin, Time-Warner, Raytheon, Dell, Office Depot and AT&T to name a few. There incorporation and embracement of innovation has manifested a collaborative environment of global strategy (Roberge, et al, 2011). Sohail et al (2011) contend that innovation shapes the development of new products, enhances marketing and organizational effectiveness.

**What is Diversity?**

Gomez-Mejia, Balkin, and Cardy (2007) define diversity as “human characteristics that make people different from one another” (p. 119). This includes biological characteristics of race, gender, age, color, national origin, as well as family and society in which they were born into. The second group is modifiable by the individual such as work experience, income, marital status, military experience, religion, political beliefs, language, geographical location, education, values and ethics. Carrell, Tracey, and Sigler (2006) take this a step further with reference to sexual orientation, abilities, organization affiliation, and personality. Jayne and Dipboye (2004) content “diversity has evolved from a focus on legally protected attributes such as race, gender, and age to a much broader definition that includes the entire spectrum of human differences” (p.410). Canas and Sondak (2010) offered the dimension of diversity as primary and secondary. The primary dimension included age, gender, race, ethnicity and physical abilities and secondary was composed of socioeconomical status, geographical location, marital status, religious affiliation and education.

The changes in the world with expeditious traveling advantages, instant communication and multimedia sources have made the world smaller and more interactive.

Thus, the United States is no longer the “melting pot” and has traversed into a multicultural and multiracial society. These diverse differences are seen in the workplace, in the customers of businesses and the employees. According to Roberge, Lewicki, Hietapelto and Abdyladaeva (2011) stakeholders must feel included and supported regardless of their gender, culture, religion, expertise or personality. This is based on the concept of collectivistic versus individualistic values. Internal and external stakeholders tend to be more open to collective values, which in turn compliments innovation.
Chatman and Spataro (2005) suggest that when organizational culture emphasizes collectivistic values and interchangeable interests there is more of a likelihood the perception of commonality creates a positive results.

According to Skarzynski and Gibson (2008) Compliance with government legislation and political correctness are only two of the forces driving diversity. Companies are now doing over half of their business globally and 80% of the world is not white. The strategic priority is to diversify and globalize their employees to capture the customer base and give the organization a competitive advantage. A diverse workforce focuses on and parallels segments, sub-segments and niches of the customer. Thus, the composition of the strategic workforce is more than the connection of various genders, races, cultures and ethnicities, but it is the focus of connecting people with different skills, capabilities and perspectives. This creates innovation which in turn fuels competitiveness and the sustainability of the organization within the global market.

Okoro and Washington (2012) stated “given the widespread impact of globalization and internationalization, workplace diversity in all forms of organizations, including higher education, is now a fact of life and a trend that will continue for a long time” (p.58). In an earlier study, Cox & Blake (1991) pointed out that “workforce demographics in the United States and many other countries indicate that workforce management would be on the agendas of many forward-looking corporate leaders. It was further noted that the ability to manage a diverse workforce provides an opportunity for competitive advantage through improved decision-making and cross-cultural negotiation” (p. 45).

Childs (2005) further maintains that any business that desires success, competitiveness and sustainability must incorporate diversity initiatives into their day-to-day business practices. Large corporations have seen the necessity of market growth, competitiveness, sustainability and overall survival.

The embracing of diversity and the incorporation into their strategic plans and goals is just as important as monitoring and leveraging assets such as raw materials, oil and technology.

Within organizations, the management of diversity is a process of creating and maintaining a discrimination free workplace. Diversity is a commitment to recognizing and appreciating the variety of characteristics that make individuals unique in an atmosphere that promotes and celebrates individual and collective achievement. This will have an effect on innovation at the organization level, therefore the research question that will be investigated is:

What effect does diversity have on innovation among employees in organizations?

Diversity and Innovation

There is empirical evidence indicating that diversity in the workforce contributes to innovation. Ilmakunnas and Ilmakunnas (2011), state, “in economics there are no unambiguous results on the direction of diversity and productivity. The effects of diversity can be modeled through preferences, strategies, or the production function. Diversity may have negative consequences on productivity, if an employee’s utility and work performance depend negatively on the share of employees who are different from him in terms of ethnicity, age, gender etc.” (P. 225).

In fact, Richard (2000, 2003) and Hoffman’s (1985) studies indicated that there is a direct correlation between diversity and innovation. This is based on the outcome of top financial performing companies, which have demonstrated their diverse make-up is linked to innovation. Gomez-Mejia, et al. (2006) reports that employee diversity can be a major contributing factor within organizations for stimulating creativity, problem solving and flexibility, which in turn directly contributes to innovative approaches of the organization.
Other authors, for example, Skarzynski and Gibson (2008), are convinced diversity is a blueprint to innovation, while Pinto and Pinto (2011) agree that diversity in the workforce directly contributes to and affects creativity. Sohail, et al., (2011) findings also supports this by indicated that diversity did contribute to innovation within the workforce. Okoro and Washington (2012) contend that the best way to ensure a steady flow of innovation and meeting objectives is by hiring and retaining employees from diverse backgrounds, race, and nationalities.

Although Carrell et al.’s longitudinal studies (1992 and 2004) of diversity programs showed some positive results in innovation, it also indicated that there were negative results in the form of training costs, tardiness and absenteeism, productivity and employee turnover. Simmons & Rowland (2011) therefore argue that in order to create an environment that would increase the positive results and decrease any negative outcomes, clear goals and processes must be implemented. In a separate study, Bridgstock, Lettice, Ozbilgin and Tatli (2010) conclude that there is a direct link between diversity management and innovation. Therefore, according to their results, innovation was facilitated through knowledge transfers across levels of experience and sectoral boundaries, thus, diversity, when properly managed, results in a positive influence on innovation.

Consequently, a viable and cost effective training program is needed. Sohail et al (2011, p. 261) states that “Training has a positive effect on organization commitment, career satisfaction, and innovation. The management of a diverse workforce will promote the innovation in shape of product, marketing and organizational innovation”. Diversity training requires multiple resources and trainer development and understanding of the shifts and changes in the ethical culture of the workforce.

Theoretical Foundations

Diversity theory is grounded on concepts based on history, research and other paradigms. Many of the concepts and paradigms are closely tied to different disciplines, for example, leadership, management, social science, political science, and psychology. An example is females tend to be more participative as leaders than men (Jones & George, 2006), which tends to be based on silence effect theory. In another example, Robbins and Judge (2007) contend that cultural diversity affects motivation. In the United States, the predominant emphasis is rationality, individual thought and on goal accomplishment. As society has progressed in awareness research and application, different theories have emerged and contributed to the theoretical concepts of diversity in the workforce. This study is based upon the theory of bias which is categorized into representative bias, overconfidence bias, anchoring bias, confirmation bias, availability bias, escalation of commitment bias, similar to me effect bias, social status effect bias and salience effect bias. Bias not corrected can result in discrimination. Bias and discrimination both affect innovation without correction of the behavior.

Theoretical Concepts

Explanation of Diversity Concepts

Diversity concepts are based upon understanding what diversity is. Diversity is “human characteristics that make people different from one another” (Gomez-Mejia, et al, 2007, p. 119).

Roberge et al (2011) state it is “diversity refers to differences between individuals on any attributes that may lead to the perception that another person is different from the self” (p. 1).

Carrell, Mann, and Seigler (2006) believe as it pertains to the workforce “modern definitions of workforce diversity focus on the ways that people differ that can affect a task or relationship within an organization” (p. 6).
Discrimination and Fairness Paradigm

The discrimination and fairness paradigm has been prevalent for close to fifty years and is one of the most prominent and recognized theories within corporate America, federal, and local government. There is now more emphasis on developing a culture of diversity, embracing diversity, cultivating a diverse workforce, recognizing and respecting diverse backgrounds and considering the contributions of individuals. However, some organizations are more concerned with legal compliance rather than contributions of diverse individuals to the organization. By meeting only the legal requirements rather than truly valuing diversity, organizations could potentially be in danger of not fully maximizing the benefits of the individual differences in their employee base, and this could be detrimental to fostering innovation.

Proposition 1: The more an organization employs the fairness paradigm, the more the innovativeness of the employees.

Bias

Sexism, racism, stereotype, homophobia and prejudice are all considered negative behavior and are synonymous with bias.

Thiederman (2008) contends that “a bias is an inflexible positive or negative belief about a particular category of people” (p. xxviii). She also argues that a bias is an attitude and not a behavior (Thiederman, 2008). Bias affects individuals who are subjected to it with the feeling of being uncomfortable. Generally, when one is uncomfortable it is negative behavior and they are unwilling to share ideas fearing their ideas will be not heard or respected. This results in no creative tension, no shared ideas and no innovation to the workforce. Robbins and Judge (2007) indicate that bias in categorized into overconfidence bias, anchoring bias, confirmation bias, availability bias, representative bias, and escalation of commitment.

Overconfidence bias is a part of common biases and errors which contribute to decision making. For those individuals whose intellectual and interpersonal abilities are the weakest, generally they overestimate and are overconfident of their opinions and decisions in most areas. Thus, their perceptions of what is real or factual are overestimated and thus skewed.

Anchoring bias is one’s fixation on initial information (Robbins & Judge, 2007). First perceptions are reality and the ability to change the person’s imbedded information becomes more difficult. The confirmation bias is based on the premise our information gathering is selective (Robbins & Judge, 2007). This parallels the anchoring bias as the information we already hold is biased toward any additional information we may gather.

The three perceptions biases (availability, representative and escalation of commitment) are usually engrained during our developmental years. The availability bias is how we based our judgments on the availability of information at the moment. Vivid events which evoke emotions are more easily engrained into our memories (Robbins & Judge, 2007). This is based on current behaviors and not past experienced behavior. The current level of evoked emotion can override any previous opinion.

The representative bias is the “likelihood of an occurrence by inappropriately considering the current situation as identical to past ones” (Robbins & Judge, 2007, p. 164). If the current situation, behavior or stimulus, resembles a past experience then this is representative of the expectation.

The escalation of commitment is based on ego in many cases. The escalation of commitment is generally based on the experience being ingrained as a learned response that the justification is that this is what one was taught or the experience has held true for many years. The ingraining is so powerful that the individual will not admit that prior information may be wrong and avoid admitting they may have made a mistake.
If biases continue to resonate through an organization, the result will be a stifling of innovation. With biases come individuals who are not open to change and continue to do the same things the way they have always done them. This results in stagnation and a stifling of innovation.

Proposition 2a: the more there is anchoring bias in an organization at the leadership level, the less the innovation non-leadership level

Proposition 2b: The more there is a representativeness bias at the non-manager level, the less innovation at the non-manager level.

Proposition 2c: The more there is confirmation bias the less innovation at any level.

Proposition 2d: The more there is overconfidence bias at the manager level, the less innovation at the non-manager level.

Proposition 2e: The more there is availability bias at the non-manager level, the less innovation at the non-manager level.

Proposition 2f: The more there is representative bias at the manager level, the less innovation at the non-manager level.

Proposition 2g: The more there is escalation of commitment at all organizational level, the more innovation at all organizational levels.

Similar to Me Effect

This type of bias is also commonly referred to 'birds of a feather flock together'. Individuals have a tendency to gravitate toward and view individuals who are similar to them more positively (Jones & George, 2006). This perception and viewing individuals who are similar to us can lead to exclusion of individuals and unfair treatment of employees who are different. The exclusion, of those who are different, results in not capturing and utilizing innovative thoughts. Even though organizational leadership may embrace and adhere to both the principles of distributive and procedural justice, unconsciously they have the propensity to fall into the trap of unfair treatment. An example is a white male may not be objective with a person who is culturally or racially different and not view the whole individual, their capabilities, potential and contributions. This also parallels Fajfel's Theory of Categorization and segmenting by group association (Catrina, 2012). The concept is the assumption that being part of a group subjects one to stereotyping by either the group one belongs to or by groups which are different. If one person in the group projects certain behaviors, then it is assumed all project the same behaviors.

Proposition 3: The more there is stereotypical behavior at all organizational levels then higher the likelihood that it will negatively affect innovation among employees.

Social Status Effect

According to Jones and George (2006) “the social status effect is the tendency to perceive individuals with high social status more positively that we perceive those with low social status” (p. 168). This perception leads one to believe that those with a perceived or actual high social status are more believable, creditable and intelligent. The example is if one meets two people, one of which is an attorney and the other a supervisor in a department store, the social status of the attorney makes one believe this person is more knowledgeable and responsible than the supervisor. Preconceived suppositions are based on societies ingraining that higher status people are above those of lower status. Perceptions such as these may lead minorities (in some cases) to be viewed less positively (Thiederman, 2008; Jones & Judge, 2006). Without the diversity of individuals, again, we have stagnation and stifling of innovation and creativity.

Proposition 4: The more there is a social status effect at the manager level there is the probability of less innovation at the non-manager level.
Salience Effect

Salient is another form of bias. The salience effect is based on individuals and societies noticing and focusing attention on those who are conspicuously different (Jones & George, 2006). Consequently, the focus of attention can be negative or positive, whereas the negative is singling out salient individuals which results in unnecessary attention, as well as stricter scrutiny. In other words, they are not held to the standards of the group. An example would be a work group of six where one of the six was a different race. The one does an excellent job, receives excessive praise and rewards, but when their performance does not meet the norm they are excessively chastised. This in turn increases the probability that the individual will withdraw further innovation in future endeavors to reduce the chances of salient behavior.

Bias is distortion, deceptions, myths, negative viewpoints and naïve thoughts about any individual or group who may be different, whether religiously, culturally or racially. The distortions of truth manifest in exclusion of individuals and groups which result in less innovative thinking. One of the key barriers to a diversity-friendly atmosphere is the presence of subtle biases that make team members feel devalued and unappreciated. The feeling of being devalued, unappreciated and not respected may result in an individual withdrawing and contributing little to the workforce in the areas of innovative ideas and creative thought (Thiederman, 2008; McLean, 2005). Part of bias removal is the identifying and diffusing those biases and, thereby, creating a more healthy, innovative, and creative organization.

Proposition 5: The more salience effect at the organizational management level, the greater the potential for less innovation at the non-manager level.

Discrimination

Discrimination has a long history of progression from the inception of the settling of the United States to the passage of the 13th and 14th Amendments in the 1800s. The attention to discrimination has continued through modern times with the Genetic Testing Act (GINA) of 2008 (Noe, Hollenbeck, Gerhart & Wright, 2010).

In the simplest of terms discrimination means the making of distinctions among people (Gomez-Mejia et al., 2007). Thus, one of the major laws of discrimination is Title VII of the Civil Rights Act of 1964 as amended. The law and subsequent court cases has expanded the theory of protected class. This theory states “that groups of people who suffered discrimination in the past require, and should be given, special protection by the judicial system” (Gomez-Mejia et al., 2007, p. 89). The discrimination laws were enacted to protect individuals (or classes of people) who were previously subjected to discrimination. By a legal means to create immersion of all people into the workforce which results in diversity. “Diversity and inequality cannot be done to promote one political agenda over another. If we are truly going to have a discourse on diversity and inequality, then all voices need to be heard. Diversity literally means “variety,” and this includes varieties of opinions and viewpoints that often meet around issues of ethnicity, socioeconomic status, and gender issues to name just a few” (www.apsanet.org/content_43641.cfm). With variety the inference can be drawn that innovation will manifest to its maximum potential.

Discrimination is divided into two distinct areas of disparate impact and disparate treatment which can be either overt or covert. Disparate treatment is based on the individual where the individual is treated differently based on their class. Disparate impact is a group distinction where the treatment is subjected to a group of individuals based on their class (Gomez-Mejia et al, 2007). Overt discrimination is knowingly and willingly subjecting individuals (disparate treatment) or groups (disparate impact) to unfair treatment, opportunity advantages or outcomes within the organization (Jones & George, 2006). Covert discrimination can be either disparate treatment or disparate impact but is hidden. The intent is to subject an individual to discriminatory treatments knowingly and willingly but the real intent is hidden.
Critical Race Theory is a byproduct of subsequent Civil Rights Laws and legal studies. The Critical Race Theory (Price, 2010) "emphasized the racialized aspects of advantage which were more often than not enshrined and upheld by law" (p. 150). Innovation is minimized by subjugating people, in or out of the work environment, to disparate impact or treatment. With exclusion and a lack of respect for people who are different, we run the risk of not viewing and capitalizing upon the whole person.

**Proposition 6:** The more discrimination at all organizational levels, then the more likely there will be less innovation at all levels of the organization.

**Discussion and Conclusion**

Why are diversity initiatives and embracement necessary to the innovation of any organization? Whether the need for diversity within any organization is based on compliance or business necessity and the end result of the business bottom line, the internal culture of the organization is driven by demographics of the customer and labor market. "Demographic shifts in the U. S. Labor market, specifically the projected rapid growth of the minority labor force over the next 10 years (Bureau of Labor Statistics, 2004), impact organizations on a number of fronts" (Jayne & Dipboye, 2004, p.409). The three areas of impact on the necessity of diversity are best talent searches require tapping diverse labor pools, a diverse workforce can effectively engage a diverse customer base of a global economy and a diverse workforce can leverage an organization into a position to tap into the market share thus increasing their share (Jayne & Dipboye, 2004; Panaccio & Waxin, 2010; Noe et al., 2010; Schermerhorn, 2010).


Diversity in the workforce is in its infancy but has been embraced by many companies who deem it necessary for innovation. This paper is based upon the review of relevant literature review and research studies which suggests that diversity in the workforce directly contributes to innovation. The evidence indicates there is a causal connection between diversity in the workforce and innovation. Several testable propositions have been developed for further research.
References


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