Perceived diversity and organizational performance
Richard S. Allen, Gail Dawson, Kathleen Wheatley and Charles S. White
The University of Tennessee at Chattanooga, Chattanooga, Tennessee, USA

Abstract
Purpose – The purpose of this paper is to investigate the relationship between employee perceptions of diversity within the senior management, management and non-management levels of their organizations and their perceptions of organizational performance.
Design/methodology/approach – Surveys were administered to 391 managers or professionals in 130 organizations located in the southeastern United States to determine their perceptions of diversity and performance within their organizations.
Findings – Regression analysis found strong support for the hypothesis that employee perceptions of diversity at the senior management level of an organization is positively related to perceptions of organizational performance. Likewise, there was support for the hypothesis that employee perceptions of diversity at the non-manager level were positively related to perceptions of organizational performance.
Research limitations/implications – The current study was based strictly on perceptual measures. Future research could also consider the use of more objective measures of diversity to gauge any potential differences between perception and reality. Considering that the sample was drawn strictly from the southeastern US, the conclusions may not be applicable to other cultures in other parts of the world.
Practical implications – Organizations need to be sure that they focus on initiatives that have a positive influence on employee perceptions of diversity within the ranks of senior management and non-management.
Originality/value – This research sheds new light on the importance of employee perceptions of diversity within the various levels of employees in their organizations and organizational performance.
Keywords Equal opportunities, Organizational performance, Perception, Employee attitudes, Managers
Paper type Research paper

While many organizations have embraced diversity, others still consider it as merely an issue of compliance with legal requirements. In more recent years, the view of diversity has changed to a more strategic concept. Many current business leaders believe that diversity has important performance benefits. Shifting demographics in the United States indicate that the population is becoming increasingly more diverse. In order to more effectively understand and cater to the needs of the rapidly growing base of minority consumers, businesses must have a more diverse workforce. Diversity in the workforce can be a competitive advantage because different viewpoints can facilitate unique and creative approaches to problem-solving, thereby increasing creativity and innovation, which in turn leads to better organizational performance.

Researchers suggest that diversity provides benefits to organizations, including: the ability to attract and retain the best talent available; reduced costs due to lower
turnover and fewer lawsuits; enhanced market understanding and marketing ability; greater creativity and innovations; better problem solving; greater organizational flexibility, better decision making; and better overall performance (Cox, 1993; Cox and Blake, 1991; Cox, 1991; Robinson and Dechant, 1997; Carrozzi, 1999; Griscombe and Mattis, 2002; McAllister, 1997; Watson et al., 1993). These benefits have the potential to affect organizational performance and the bottom-line.

From the opposite perspective, researchers have shown diversity to be negatively related to organizational performance through lower employee satisfaction and higher turnover (O’Reilly et al., 1989), creating a sense of organizational detachment (Tsui et al., 1992), lower cohesiveness, difficulties in communications, and inter-group conflict and tension (Richard et al., 2003; Cox, 1993). These sorts of effects could obviously have detrimental effects on organizational performance.

Given these mixed results additional research on diversity is needed. Harrison and Sin (2006) point out several inconsistencies in diversity research and raise questions of how diversity is defined and what should be measured. Konrad et al. (2006) note not only the differences in definitions of diversity, but also in the varied ways of studying workplace diversity and provide researchers with a reference of different genres of workplace diversity research.

For the purpose of this research, we want to focus on the link between diversity and performance. Kossek et al. (2006) discuss links between workforce diversity and organizational outcomes as well as links between human resource strategies and organizational outcomes, suggesting that further research is needed in these areas.

One approach to explaining the divergence in the effect diversity has on performance has been to examine factors that may moderate the diversity-performance relationship (Richard et al., 2003; Kochan et al., 2003; Richard, 1999). Another approach has been to focus on the organization’s orientation toward diversity rather than simply measuring the level of diversity within an organization (e.g. Richard and Johnson, 2001). We take a third approach to understanding this divergence by focusing on the perception of diversity within an organization. Few studies have taken this slant as most of the literature tends to examine actual diversity through demographic statistics. Previous studies that have considered perceptual diversity measures have examined diversity at the team level of analysis (Hobman et al., 2004; Kirchmeyer, 1995; Harrison et al., 1998; Harrison et al., 2002; Jehn et al., 1999) or dyad level of analysis (Orpen, 1984; Strauss et al., 2001; Turban and Jones, 1988; Wayne and Liden, 1995). These studies do not consider perceptions of diversity at different levels within the organization. Furthermore, they do not consider perceptions of organizational performance.

Our contribution to the diversity literature is threefold. First, we attempt to better understand the divergence within diversity research by shifting the focus from actual diversity to perceived diversity and answering the question, “How are perceptions of diversity and organizational performance related?” Second, we approach this research question at the organizational level rather than the work group or individual levels of analysis. Thirdly, we consider the role of perceived diversity at a variety of different levels within the organization including the senior manager, managerial, and non-managerial levels.
Theory and hypotheses

Perceived diversity

Thomas (1991) defines diversity as a mixture of differences – some of which are visible, such as race, gender, or age; while others are less visible, like educational levels, sexual orientation, ways of thinking, or personal values and belief systems. Cox (1993, p. 6) expresses diversity in broad terms as “a mix of people in one social system who have distinctly different, socially relevant group affiliations.” Loden (1996) also advocates a very broad definition of diversity that is inclusive of everyone and values the differences that each individual brings to the organization. Each of these definitions recognizes that there is a need for a broader definition than those traditionally associated with affirmative action and equal employment opportunity which tend to focus only on women and minorities and result in organizational efforts that are fragmented and often result in white men feeling disenfranchised.

Thomas (1991) credits the emergence of diversity, as an issue, to three factors: the global market which makes doing business intensely competitive, the changing composition of the workforce (Toosi, 2002), and the increase in individuals celebrating their differences instead of contesting what makes them unique. A broader definition and the emergence of diversity as an important issue, helps set the stage for diversity being recognized as a potential source for competitive advantage.

In order to take this broad perspective we view diversity through the perceptions of employees. By considering perceived diversity as opposed to actual diversity we can capitalize on the intricate and multidimensional nature of diversity. Not only are visible diversity traits telling in an organization, but traits that are not visible to the naked eye provide important information as well. It is the perception of diversity that drives individual interactions within an organization and this broad perspective captures the components that individuals feel are important as they define diversity. Harrison and Sin (2006, p. 200) suggest that the study of the perceptions of diversity is both reasonable and necessary if they “form the pivotal dimension for diversity’s effects.”

Even though we distinguish between actual and perceived diversity, past research has provided support for the effects of actual diversity being mediated through perceived diversity (Harrison et al., 2002; Rosenbaum, 1986a; 1986b; Wayne and Liden, 1995). These findings lend support to the need to consider employee perceptions in order to understand the role of diversity within an organization. As with many things in life, perception is reality. We believe this holds true with respect to diversity. Even if demographic diversity exists on paper within an organization, if the employees do not perceive their workplace to be diverse the organization is unlikely to derive the attitudinally and behaviorally based benefits of diversity.

Furthermore, the very definition of diversity varies with one’s perception. Diversity is comprised of many dimensions such as race, gender, religious affiliation, and national origin to name a few. The perception of diversity is also undoubtedly influenced by one’s membership in a particular group. For example, women may be more attuned to the organization’s overall representation of women than would be men. Likewise, racial minorities may be more attuned to the organization’s racial makeup than would racial non-minorities. Because a person’s perception of “minority status” is both ill defined and influenced by one’s attributes with regard to the concept of diversity, we did not redefine diversity for the respondents but rather allowed them to use their own definition. As we have argued that “perception is reality”, we also argue
that if a person perceives their organization as more or less diverse in different ways than would another, that perception is valid in their own view however they chose to define it.

Harrison et al. (2002) try to understand actual versus perceived diversity by testing a model including actual diversity, perceived diversity, team social integration and team task performance. Their results indicate that “perceptual measures of diversity carry the indirect impact of a priori or actual differences among team members.” (Harrison et al., 2002, p. 1041). Second, they illustrate how perceptions first travel through team social integration which then affects performance. These findings support our position that perceptions of diversity are in actuality what drive the relationship between diversity and performance. A caveat to this relationship is also the use of perceived performance. We stress the importance of viewing a firm’s diversity through the eyes of the employees. With our research we also consider organizational performance through the eyes of the employees.

Organizational performance
There is great debate in the performance measurement literature regarding whether the use of objective or subjective measures provides the most valid results. Both types of measures carry with them advantages and disadvantages. Objective measures tend to be more concrete but are often limited in scope to financial data. They often limit the breadth and scope of organizations that can be included in a study since organizations from a single industry are needed for valid comparison purposes with objective measures.

Subjective measures on the other hand lack concreteness or reproducibility, but often provide the researcher with a richer description of the effectiveness of an organization with respect to their competitors. Subjective measures allow a broader range of organizations to be compared within a single study. Researchers are not confined to studying comparable organizations from only a single industry. Thus the generalizability of the findings is bolstered by using subjective measures.

Subjective measures also include the perceptual component of analysis. This slight shift in thinking is particularly important to this research project. We not only want to understand what the employee thinks of diversity but also what the employee thinks of the firm’s performance and how these two components might be related. Our research thus uses perceptual measures of performance as well as diversity.

When defining firm performance it is important to consider a wide variety of potential organizational performance measures. This research considers firm performance relative to the competition from multiple organizational perspectives including quality, productivity, market share, profitability, return on equity, and overall firm performance.

The managerial level context
Senior management level. Furthermore, we are interested in how these perceptions may differ when considering the perceptions of diversity at different levels within organizations. Although buy-in and promotion of diversity throughout the firm (at all levels) is indicative of emphasizing diversity’s potential competitive advantage because of the nature of organizations and competition, the need for adaptability and flexibility that is provided by diversity will be especially beneficial if with diversity
comes decision making authority and power which is often found only in upper levels of management. Diversity at the senior management level should have an impact on the strategic decisions and direction taken by the organization, which in turn would have an impact on organizational performance. Therefore we hypothesize:

**H1.** Perceived diversity at the senior management level will be positively related to perceived firm performance.

**Other managerial levels.** As competitive 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 a global focus, one way to gain a competitive advantage may be through the use of a diverse workforce. The diverse workforce should be able to better deal with and adapt to the varied needs of the customer as well as the varied needs of the employee. When employees perceive a workforce to be diverse this should lead to an increase in performance due to the aforementioned effects noted by prior researchers including the ability to attract and retain the best talent available; reduced costs due to lower turnover and fewer lawsuits; enhanced market understanding and marketing ability; greater creativity and innovations; better problem solving; greater organizational flexibility, better decision making; and better overall performance.

For this relationship to hold it is also important to consider where the diversity is perceived to exist within the organization. When diversity is perceived within the non-senior managerial ranks of an organization this would suggest a greater buy-in to the positive aspects of diversity as well as resulting in decisions being made by employees that have the ability and power to make changes. With this we hypothesize:

**H2.** Perceived diversity in other managerial positions will be positively related to perceived firm performance.

**Non-managerial level.** Furthermore, considering a level where most employees can directly affect change is the use of a diverse workforce at lower levels in the organization. The increased decision 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. If a firm’s top management believes in the advantages that diversity brings, they should also emphasize hiring a diverse workforce in non-managerial positions within the firm in order to capitalize on creativity and innovation. If a firm is missing diversity at either upper or lower levels this brings into question their reasons for using diversity. Is the impetus for diversity on trying to capture competitive advantage or simply a response to legal requirements? Organizations which take diversity seriously as a key to competitive advantage would be more likely to stress diversity at all levels in the organization. Thus we also hypothesize:

**H3.** Perceived diversity in non-managerial positions will be positively related to perceived firm performance.

**Methodology**
A survey was developed to collect data regarding employees’ perceptions of diversity and performance within their organization. To insure a representative sample was
collected, researchers conducted structured interviews utilizing this survey to collect data from employees in a wide variety of organizations in the southeast United States. At least one minority and one non-minority management or professional person was interviewed at each organization. A convenience sample was used because collection of a random sample was infeasible and would not result in a reasonable response rate. Respondents had to be members of the organization and reported their average tenure as ten years and nine months. Therefore respondents could be assumed to have adequate knowledge of their respective organizations for the purposes of this research. Respondents were asked their perception of diversity in their organization within senior management, other managerial positions and non-managerial positions using the questions shown in Table I.

Respondents were also asked to estimate how their organization’s performance compared to its competition over the past three years on six important performance variables using a scale originally developed by Dess and Robinson (1984). The six performance variables included quality, productivity, profitability, market share, return on equity and overall performance. As is noted in the limitations section of this paper, these measures were based on the respondents’ perceptions rather than on objective financial and production data. The scales used are shown in Table II.

<table>
<thead>
<tr>
<th>Please circle one number on a scale of 1-5 that best approximates the extent to which you agree with each statement regarding your organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minorities are proportionately represented among this organization’s senior managers</td>
</tr>
<tr>
<td>Minorities are proportionately represented in this organization’s managerial positions</td>
</tr>
<tr>
<td>Minorities are proportionately represented in this organization’s non-managerial positions</td>
</tr>
</tbody>
</table>

Table I.

<table>
<thead>
<tr>
<th>Please circle the number that you feel best estimates how your organization compares to its competitors over the past 3 years with regard to each of the following items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Among the worst in the industry</td>
</tr>
<tr>
<td>Quality</td>
</tr>
<tr>
<td>Productivity</td>
</tr>
<tr>
<td>Profitability</td>
</tr>
<tr>
<td>Market share</td>
</tr>
<tr>
<td>Return on equity</td>
</tr>
<tr>
<td>Overall performance</td>
</tr>
</tbody>
</table>

Table II.
Sample
A total of 391 employees from 130 separate companies were interviewed. Multiple employees from single organizations were interviewed to insure that a variety of perspectives were captured in the perceptual data.

Accordingly, a diverse mix of respondents including both majority and minority members was sought from each organization to insure multiple perceptions were included in the data set. The sample was comprised of 237 male and 154 female respondents of which there were 303 white, 75 black, 5 Hispanic, three Asian, and five “other” respondents. The average time on the job of the respondents was ten years and nine months. The sample also included a mix of managerial and non-managerial perspectives. A total of 79 percent of respondents were managers and 8 percent of respondents were professionals, but non-managers (10 percent-other, 3 percent-no response).

The organizations ranged in size from five employees to organizations with over one million members. The median size of the companies we surveyed was 5,000 employees. The firms we investigated included a wide variety of sectors including governmental agencies, insurance, health care providers, heavy manufacturing and numerous other types of businesses.

Results
The means, standard deviations, and Pearson correlations of independent and dependent variables are reported in Table III.

We found that 42 percent of those surveyed strongly agreed with the statement that minorities were proportionately represented at the non-managerial level in their organization. However, only 22 percent responded the same way for managerial positions. At the senior management level the disparity with minorities being proportionately represented was even more apparent. For the senior managerial level only 10 percent of our respondents strongly agreed that minorities were proportionately represented in their companies while 26 percent strongly disagreed. We did not define the term “minorities” for our respondents but rather we allowed each respondent to interpret what a minority is based on their own perceptions. Some respondents may have considered race in their interpretation whereas others may have included sexual orientation, religion or gender.

Of primary interest of this study was the relationship between perceived diversity and organizational performance. Six versions of perceived organizational performance were regressed upon three independent variables. The independent variables included:

1. minority representation in senior management;
2. minority representation in other levels of management; and
3. minority representation in the general workforce.

The results of these six stepwise regressions are reported in Tables IV-IX. Please note that since profitability and return-on-equity are not pertinent to non-profit or governmental organizations we excluded these types of organizations from the analysis of these two performance variables.

The results indicated the strongest and most broad-based support for H1. Perceived diversity at the senior management level was significantly related with perceived overall firm performance ($t = 4.93, p < 0.001$), quality ($t = 3.51, p < 0.001$), productivity ($t = 4.67, p < 0.001$), profitability ($t = 4.47, p < 0.001$) and return on
<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sr. manager</td>
<td>2.76</td>
<td>1.43</td>
<td>0.74</td>
<td>0.74</td>
<td>0.56</td>
<td>0.32</td>
<td>0.22</td>
<td>0.22</td>
<td>0.22</td>
<td>0.22</td>
</tr>
<tr>
<td>Manager</td>
<td>3.21</td>
<td>1.24</td>
<td>0.38</td>
<td>0.38</td>
<td>0.3</td>
<td>0.24</td>
<td>0.18</td>
<td>0.18</td>
<td>0.18</td>
<td>0.18</td>
</tr>
<tr>
<td>Non-manager</td>
<td>3.92</td>
<td>1.24</td>
<td>0.38</td>
<td>0.38</td>
<td>0.3</td>
<td>0.24</td>
<td>0.18</td>
<td>0.18</td>
<td>0.18</td>
<td>0.18</td>
</tr>
<tr>
<td>Performance</td>
<td>4.08</td>
<td>0.83</td>
<td>0.24</td>
<td>0.24</td>
<td>0.2</td>
<td>0.16</td>
<td>0.14</td>
<td>0.14</td>
<td>0.14</td>
<td>0.14</td>
</tr>
<tr>
<td>Quality</td>
<td>4.32</td>
<td>0.83</td>
<td>0.24</td>
<td>0.24</td>
<td>0.2</td>
<td>0.16</td>
<td>0.14</td>
<td>0.14</td>
<td>0.14</td>
<td>0.14</td>
</tr>
<tr>
<td>Productivity</td>
<td>4.08</td>
<td>0.83</td>
<td>0.24</td>
<td>0.24</td>
<td>0.2</td>
<td>0.16</td>
<td>0.14</td>
<td>0.14</td>
<td>0.14</td>
<td>0.14</td>
</tr>
<tr>
<td>Market share</td>
<td>3.88</td>
<td>1.01</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.26</td>
<td>0.24</td>
<td>0.24</td>
<td>0.24</td>
<td>0.24</td>
</tr>
<tr>
<td>Profitability</td>
<td>3.80</td>
<td>0.95</td>
<td>0.26</td>
<td>0.26</td>
<td>0.2</td>
<td>0.24</td>
<td>0.22</td>
<td>0.22</td>
<td>0.22</td>
<td>0.22</td>
</tr>
<tr>
<td>Return on equity</td>
<td>3.70</td>
<td>0.91</td>
<td>0.26</td>
<td>0.26</td>
<td>0.2</td>
<td>0.24</td>
<td>0.22</td>
<td>0.22</td>
<td>0.22</td>
<td>0.22</td>
</tr>
</tbody>
</table>

Notes: ***p < 0.001; **p < 0.01; *p < 0.05

Table III. Means, standard deviations, and correlations (n = 391)
equity \((t = 4.10, p < 0.001)\). The only performance variable that was not significantly related with senior management diversity was market share.

Support for \(H2\) was not nearly as clear. Just one performance variable, market share \((t = 2.44, p < 0.05)\), was significantly related with perceived diversity within the non-senior management category.

Support for \(H3\) was strong and broad-based. Perceived diversity within the non-managerial ranks was positively related to perceived overall firm performance.

### Table IV.
Stepwise multiple regression with overall performance as the dependent variable \((n = 391)\)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Beta (standardized)</th>
<th>(t)</th>
<th>(P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.344</td>
<td>24.58</td>
<td>***</td>
</tr>
<tr>
<td>Sr. manager</td>
<td>0.256</td>
<td>4.93</td>
<td>***</td>
</tr>
<tr>
<td>Non-manager</td>
<td>0.125</td>
<td>2.41</td>
<td>*</td>
</tr>
</tbody>
</table>

**Note:** Regression equation is: Performance \(= 3.344 + 0.148\) (Sr. manager) + 0.0839 (Non-manager)

### Table V.
Stepwise multiple regression with quality as the dependent variable

<table>
<thead>
<tr>
<th>Variables</th>
<th>Beta (standardized)</th>
<th>(t)</th>
<th>(P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.648</td>
<td>27.25</td>
<td>***</td>
</tr>
<tr>
<td>Sr. manager</td>
<td>0.185</td>
<td>3.51</td>
<td>***</td>
</tr>
<tr>
<td>Non-manager</td>
<td>0.152</td>
<td>2.90</td>
<td>**</td>
</tr>
</tbody>
</table>

**Note:** Regression equation is: Performance \(= 3.648 + 0.102\) (Sr. manager) + 0.099 (Non-manager)

### Table VI.
Stepwise multiple regression with productivity as the dependent variable

<table>
<thead>
<tr>
<th>Variables</th>
<th>Beta (standardized)</th>
<th>(t)</th>
<th>(P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.726</td>
<td>43.88</td>
<td>***</td>
</tr>
<tr>
<td>Sr. manager</td>
<td>0.230</td>
<td>4.67</td>
<td>***</td>
</tr>
</tbody>
</table>

**Note:** Regression equation is: Performance \(= 3.726 + 0.127\) (Sr. manager)

### Table VII.
Stepwise multiple regression with market share as the dependent variable

<table>
<thead>
<tr>
<th>Variables</th>
<th>Beta (standardized)</th>
<th>(t)</th>
<th>(P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.038</td>
<td>17.90</td>
<td>***</td>
</tr>
<tr>
<td>Management</td>
<td>0.146</td>
<td>2.44</td>
<td>*</td>
</tr>
<tr>
<td>Non-manager</td>
<td>0.144</td>
<td>2.40</td>
<td>*</td>
</tr>
</tbody>
</table>

**Note:** Regression equation is: Performance \(= 3.038 + 0.103\) (Manager) + 0.118 (Non-manager)

### Table VIII.
Stepwise multiple regression with profitability as the dependent variable

<table>
<thead>
<tr>
<th>Variables</th>
<th>Beta (standardized)</th>
<th>(t)</th>
<th>(P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.297</td>
<td>28.10</td>
<td>***</td>
</tr>
<tr>
<td>Sr. manager</td>
<td>0.249</td>
<td>4.47</td>
<td>***</td>
</tr>
</tbody>
</table>

**Note:** Regression equation is: Performance \(= 3.297 + 0.170\) (Sr. manager)
(t = 2.41, p < 0.05), quality (t = 2.90, p < 0.01), market share (t = 2.40, p < 0.05) and return-on-equity (t = 2.17, p < 0.05).

**Discussion**

Our findings add support to the growing body of research that suggests that diversity provides positive performance benefits to organizations. More specifically it appears that perceived diversity within the senior management and non-managerial levels of an organization are most critical with respect to perceived organizational performance.

Perceived diversity within the senior management ranks was evidenced in higher perceived levels of overall performance, profitability and return on equity. The inclusion of more diverse perspectives at the strategic decision making level of an organization is bound to improve the creativity and decision making of organizations. This was evidenced in higher levels of perceived quality. It is also likely that a perception of diversity in the senior management of an organization can send positive and motivational messages to minorities in other levels of the organization. Minorities are thus more likely to feel that their contributions are valued and that they have a reasonable opportunity to advance within the organization. This was evidenced in higher perceived productivity.

Perceived diversity within the non-managerial ranks also appears to be critical. It was positively correlated with bottom-line results such as return-on-equity and overall firm performance (perceived). Perceiving diversity at the front-line is likely to enhance market understanding and the ability to cater to an increasingly more diverse consumer population. This was evidenced in the positive relationship to market share. Perceiving a diverse front-line workforce is also more likely to increase the variety of viewpoints and quality of decisions made by the organization. This was shown in the positive relationship with perceived quality.

Conversely, due to communication difficulties and cultural issues a diverse workforce perception may cause decision making time to lengthen and reduce efficiency when compared to a workforce that is perceived as homogenous. This was evidenced in our finding that perceived productivity was not positively correlated with perceived diversity in the non-management ranks.

Interestingly, we did not see strong results across the board with respect to the non-senior management level and perceived performance. Only one performance variable, market share, was associated with perceived diversity for this organizational level. There is a possible explanation for this counter-intuitive finding. Perhaps organizations which have minority representation only in the lower levels of management were perceived differently by the respondents. The respondents may view such practices as tokenism and perceive such practices to be largely ineffective.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Beta (standardized)</th>
<th>t</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.131</td>
<td>27.69</td>
<td>***</td>
</tr>
<tr>
<td>Sr. Manager</td>
<td>0.238</td>
<td>4.01</td>
<td>***</td>
</tr>
<tr>
<td>Non-manager</td>
<td>0.129</td>
<td>2.17</td>
<td>*</td>
</tr>
</tbody>
</table>

**Notes:** Regression equation is: Performance = 3.131 + 0.155 (Sr. Manager) + 0.102 (Non-manager);

* p < 0.05; ** p < 0.01; *** p < 0.001

Table IX. Stepwise multiple regression with return on equity as the dependent variable
This sort of practice and perception may actually serve to reduce employee motivation thereby having detrimental effects upon productivity and quality. This may have influenced the respondents’ perceptions of the effectiveness of diversity at the managerial level.

Limitations and areas for future research
It is appropriate here to point out some limitations of our study that should be addressed through future research. First, methodologically, our use of survey data has given us interesting insights into the perceptions of workers but we have not taken the next step and tied these perceptions back to any kind of objective measurement. Unfortunately due to confidentiality reasons the respondents in these organizations were not at liberty to provide us with objective measures of diversity or organizational performance. Future research in other contexts might investigate the important issue of how closely perceptions match reality.

Second, the topic of diversity is inherently sensitive. This sensitivity may create a bias causing informants to answer survey questions with a slant toward socially acceptable answers rather than what is accurate. This is often a problem with survey data and the only real way to overcome this limitation is through the use of more objective measures. Although our study utilized structured interviews, a more blind approach, such as paper and pencil, may reduce this respondent bias because of the more anonymous format.

Third, our survey was conducted in the southeastern United States and as such presents an interesting picture of this region’s perceptions of diversity. This particular viewpoint may not equate directly with the perspectives of people in other geographic areas. Just as the term diversity may be defined differently by individuals it too may be shaped by different national or regional cultures.

Fourth, our survey plan called for interviewing at least two individuals from an organization, including one minority and one non-minority. Our primary concern when collecting the data was to get a good representation of minority responses. Our secondary concern was to collect data from a wide cross section of business types (size, industry, etc.) to increase the generalizability of our findings. Given limited resources our average response from each company was only three employees. This data gathering plan was successful in providing good cross sectional data but did not provide in-depth individual company data. Future research might attempt to interview/survey more individuals from a particular company in order to get a more complete representation of a company’s diversity culture.

Fifth, since our research was based on perceptions of diversity it was not possible to know exactly how each respondent defined “minorities” in their respective organization. Some may have limited their perception to just race and not considered other dimensions such as gender, sexual orientation, etc. ... Future research may benefit by having respondents specify their perceptions by providing information on exactly what they consider to be “minorities”. It would also be interesting to see exactly how members of the minority groups define diversity. Perhaps their own minority status is more salient in terms of their perceptions of diversity.

Finally, a more balanced response rate between white and non-white respondents would have given us more robust results. Our sample of 303 white respondents and 88
non-white respondents was a bit skewed. Although our sample is reflective of many corporations’ employee make-up and the regional population as a whole, a larger non-white respondent group would provide stronger findings. It would also be interesting to see if the perceptions of the white and non-white groups significantly differed. These issues should be addressed in future research.

Conclusions

Limitations aside, this study provides some interesting findings about what employees see and how they feel in their corporate world. As with many things in life, perception can be as important as reality. Perceptions of diversity can have important effects on organizations. This research sheds light on this issue and found that perceptions of diversity within the senior management and non-managerial levels of organizations are significantly related to a variety of organizational performance perceptions. Based on these findings it appears to be important for organizations to not only focus on achieving diversity in a statistically objective sense, but to also be sure to increase the perceptions of diversity within their workforce. These perceptions of diversity are obviously critical to influencing employee motivation and behavior which in turn lead to higher levels of organizational performance.

The practical implications of these findings are that organizations need to invest in diversity in order for all employees to feel a part of the corporate culture. Not only will the investment be helpful for motivation but bottom line performance as well. Some ways in which organizations have and can invest in diversity are through initiatives such as minority mentoring programs, diversity awareness training, and establishing minority support networks. These initiatives are just a few examples of ways senior management can convey their buy-in/support of diversity within the organization. Initiatives of this sort are transparent and easily visible to all employees of an organization. This support and buy-in should increase employee perception of diversity throughout the organization. These initiatives cannot be taken lightly, however. Diversity investments need to be made for the right reasons. Our findings suggest that employees view diversity seriously and expect diversity to be visible throughout the organization. A limited roll out of diversity hiring and/or initiatives only at low levels of the organization may serve to negatively affect the positive benefits of diversity. We infer that there needs to be diversity across the organization at all levels of management and non-management alike in order to reap the benefits of diversity. As perception of diversity at all levels of the organizations increases so too should organizational performance.

References


