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The Best Consequences of Workforce Diversity

Presented by:

Agti Djouhara	Mekkrache Fouzia
University of Biskra	University of Djijel
djouhara07@voila.fr	ziyamekkrache@yahoo.com

Abstract

This study analyses the consequences of workforce and explaining the positive and the negative side of each element resulting the human resource diversity. The researchers used the descriptive approach in this analysis.

The results assure that the important consequences of workforce diversity linked to organizational performance, innovation, and Knowledge sharing and creation, but each factor have two face according to efficiency of workforce management.

Introduction:

The workforce diversity has dramatically increased, practitioners acknowledge that having a diverse workforce may be a key for sustained competitive advantage by increasing creativity and innovation. But the diversity maybe leads to negative consequences such as rising conflicts or decreasing group cohesiveness. In this study we attempt to clearing the negative and the positive side of the consequences of workforce diversity.

1. The concept of human resources diversity:

1.1. Definition of human resources diversity:

According to Jones (2007) the diversity has been an evolving concept. The term is both specific (focused on an individual) and contextual (defined through societal constructs). Many current writers define diversity as any significant difference that distinguishes one individual from another—a description that covers a broad range of obvious and hidden qualities. Generally, researchers organize diversity characteristics into four areas: personality (e.g., traits, skills, and abilities), internal characteristics (e.g., gender, race, ethnicity, intelligence, sexual orientation), external characteristics (e.g., culture, nationality, religion, marital or parental status), and organizational characteristics (e.g., position, department, union/nonunion).

The diversity refers to differences between individuals on any attributes that may lead to the perception that another person is different from the self. These attributes of interest may refer to demographic characteristics, informational/functional characteristics, personality traits, personal values as well as other types of diversity such as religious beliefs, or mental and physical health and abilities. A conceptual definition of diversity adopting a group focus has also been proposed. The diversity is a mixture of people with different group identities within the same social system. In addition the diversity is the collective amount of differences among members within a social unit (Homan, 2008, P. 208).

There are many ways to define diversity. Most focus on various dimensions, such as gender, age, ethnicity, nationality, education, or work status. Podsiadlowski., et al (2013) subsumed all these points under the definition of diversity as “any significant difference that distinguishes one individual from another,” covering a wide variety of factors that might be obvious to other individuals or hidden under the surface. They stated that diversity is “a characteristic of groups of two or more people and typically refers to demographic differences of one sort or another among group members.” The various definitions show that diversity is relevant to interpersonal as well as intergroup relations in the workplace context (P. 160).

Theoretical rationales supporting the relevance of diversity dimensions have focused on the importance of social identity and social categorization in intergroup relations, stressing the relevance of surface level traits, such as ethnicity and nationality. Both social identity and perceived

similarity have consequences for intergroup relations at culturally diverse workplaces. These can be negative, leading to discrimination, equal employment disparities, stereotyping, and conflicts, but also positive, fostering creativity, innovation, and better problem solving. Especially on a group level of analysis, research has shown positive effects of diversity, as highly diverse teams have outperformed less diverse groups under certain conditions, particularly with regard to creativity and satisfaction. Individuals from diverse backgrounds bring to a group different perspective on how to solve a task and have access to different resources enhancing creativity and performance and leading to a more interesting and satisfying workplace. Employee diversity can give a business an advantage when dealing with a diverse customer base or international markets, making diversity an important business issue. Nonetheless, existing social inequalities for minority groups and potential conflicts due to perceived differences need to be acknowledged. Different viewpoints about the positive and negative sides of diversity in an organization should lead to different approaches to diversifying and managing diversity (Podsiadlowski., et al, 2013, P. 160).

According to Cunningham (2010) with the increased diversity also comes the hope and promise of improved organizational processes and outcomes. He have shown that, relative to their homogeneous counterparts, diverse groups and organizations convey a greater sense of inclusivity, experience decreased employment legislation, greater creativity, better decision making, and performance gains (P. 395).

Diversity indicates differences in terms of nationality, ethnic group, gender, age, and those with or without physical and mental difficulties. In management, diversity management is measured in every aspect of HR, including compensation, promotion, training, and leadership at the managerial level, and use of family friendly policies.

1.2. The causes of workforce diversity:

Increasing diversity in the general workforce is widely acknowledged, there are many factors caused the diversity of the workforce such as (Doherty., et al, 2010, P. 368):

1. The diversity is the result of changing population demographics, the resultant economic pressures on organizations to diversify their workforce in order to “mirror the marketplace”.
2. The need for organizations to attract a viable workforce to remain competitive in the trend towards globalization.
3. The diversity can positively influence important individual, group, and organizational outcomes.
4. The organizations may experience pressure from increasing social tolerance and positive attitudes towards diversity by both members and customers who expect, and even demand that (their) organizations exercise social responsibility.
5. Some organizations might resist these pressures; however, increasing diversity in the workforce appears to be an inevitable outcome of these demographic, economic, legislative, and social changes.

1.3. The benefits of diversity:

The benefits of the diversity accrue from the different ideas, insights, values, and perspectives that people may bring to an organization. The researchers resume the important benefits of the diversity in many points (Richard, 2000, P. 172):

1. The diversity can help an organization develop and grow, and thus diversity in the workplace may be seen as a source of competitive advantage.
2. Workgroups in particular have been shown to benefit from diverse membership, making more creative and cooperative choices and higher quality decisions.
3. The positive impact of diversity on performance-based outcomes.
4. The organizations benefit from diversity when they establish a culture of diversity. An organizational culture of diversity is characterized by a respect for differences, flexibility, tolerance of ambiguity and conflict, an orientation toward people vs. tasks.
5. The benefits of diversity will be realized to the extent that an organization has a diverse workforce and a culture of diversity, while the benefits are minimized to the extent that the organization has little diversity among its employees and/or a culture of similarity.

1.4. Diversity strategy:

Different organizational approaches to diversity have been identified in the literature. The terms diversity strategy, diversity orientation, and diversity perspective are used synonymously. An organization's strategic response can be episodic, or systemic and can be classified on a continuum ranging from "not doing anything" to "having a full blown diversity strategy" that integrates various interventions into an organization-wide general framework (Goodman., et al, 2003, P.489).

Goodman., et al (2003) distinguished three different perspectives regarding an organization's approach to diversity: (1) the discrimination and fairness paradigm, (2) the access and legitimacy paradigm, and (3) the learning and effectiveness paradigm. These paradigms refer to organizational members' normative beliefs and expectations about the reason to diversify, the value of diversity, and its connection to work. They added a fourth perspective, the resistance perspective, where an increase in an outside demand for diversity is viewed as a threat to the company or not important enough to even discuss. The researchers see that the acknowledged possible reactions to diversity as identified: to include or exclude, to deny, to assimilate, to suppress, to isolate, to tolerate, to build relationships, and to mutually adapt. Criteria of organizational approaches to diversity are consequently whether to address or ignore diversity, whether to view diverse backgrounds of their employees as a challenge to deal with or an asset to make use of, and whether to be reactive, defensive, or proactive. Most diversity research has referred to case studies and has drawn from conclusions in consultancy projects. A systematic, comprehensive, and quantifiable study of diversity strategies in organizations has been missing.

Reinforcing Homogeneity means to avoid or even reject a diverse workforce. Organizations not only ignore potential cultural differences but reject cultural diversity in favor of a homogeneous workforce. Its theoretical and empirical foundation lies in the importance of perceived similarity for intergroup relations, also in the workplace context. Attraction–selection–attrition hypothesis suggests that organizations tend to attract, hire, and retain similar types of people. The tendency to drive out diversity can be explicit or implicit, by using selection and promotion criteria that are ascribed only to people from the dominant majority in a country, such as local business knowledge,

access to networks, and experience, thus raising barriers to employment for immigrants. Organizations may not simply ignore cultural diversity in the labor market and their organization but actively resist it (Goodman., et al, 2003, P.490).

The Access perspective sees diversity as a business strategy that provides access to a diverse customer base and international markets by internally reflecting an organization's external environment. The Integration and Learning perspective is broader, suggesting that everyone can benefit from a diverse work environment, the organization as a whole as well as its employees. From this perspective, diversity creates a learning environment where everybody—also within the organization—can benefit from a diverse work context. This last perspective is considered the most strategic; change happens through mutual adaptation of minority and majority groups alike. Both Access and Integration and Learning refer to advantages specifically gained from diversifying the workforce not only by being aware of and accepting diversity but also by creating a productive work environment and making use of diverse talents to meet organizational goals. Whereas the access perspective considers diversity more as a business case by gaining access to diverse customers and international markets as well as reflecting the demographics of an organization's external environment, the Integration and Learning perspective moves beyond business-related demographic reasons and appreciation. Equal and fair treatment of everyone is stressed without specific support for minority groups—not because potential inequalities are ignored but because the organization has moved beyond distinguishing between different groups of people to acknowledging the unique and specific expertise of each individual employee and his or her valuable contribution (Goodman., et al, 2003, P.490).

In sum, these five diversity perspectives can be seen on a continuum from defensive (not doing anything specifically, even resisting diversity) to reactive (e.g., meeting legal responsibilities or addressing intercultural conflict) to proactive (acknowledging the economic benefits of diversity and encouraging diversity as a learning opportunity for the whole organization). Empirical evidence of the existence of these dimensions in organizations is rare. To our knowledge, no study has shown how diversity is or is not approached in organizations in a quantifiable, systematic, and comparable way; nor have we found any study that showed how a specific diversity management strategy is supported by specific measures. There is also a missing link between organizational approaches to diversity and theoretical foundations of diversity on the organizational level (Goodman., et al, 2003, P.491).

2. Workforce diversity management:

2.1. Definition of workforce diversity management:

With increasing globalization and migration, managing diversity in organizations is becoming more and more important. There is wide agreement on the need to actively deal with diversity in organizations and to identify advantages and disadvantages for various agents involved.

Podsiadlowski., et al (2013) has highlighted the importance of organizational conditions that leverage the benefits of diversity. Thus, the organizational perspective on diversity determines the impact of diversity within the organization. Consequently, organizations should differ in their management of a diverse workforce depending on their dominant diversity perspective (P. 161).

As for the concept of diversity, there are various definitions of diversity management. It has been defined as the sum of organizational practices for managing people to maximize potential advantages of diversity and as policies for recruiting and retaining talent from different backgrounds. Diversity management is an organizational answer or reaction to the need for competitiveness and to the increasing variety of the workforce (Podsiadlowski., et al, 2013, P. 161).

The researchers added that many approaches have been proposed in the literature on how to deal with diversity in organizations. Initiatives that have focused specifically on cultural diversity have included diversity committees, multicultural work groups, advocacy groups, language classes, intercultural training, and diversity workshops. Diversity measures may also be embedded within existing tools for training, personnel development, formalized recruitment, selection and assessment, mentoring, or coaching without being specifically identified.

Depending on the organizational approach to diversity, the number, quality, and type of diversity measures and initiatives will differ which in turn should have consequences for staff and the organization itself. Having a reliable, standardized measurement of such approaches should lead to more efficient identification of an organization's strategy, improve monitoring of diversity management, and help clarify the inconsistent effects of diversity. So far, there has been no standardized measurement approach to analyzing diversity perspectives in organizations due to the lack of theoretical foundation on the organizational level. Diversity initiatives are complex, and their effects have been discussed mainly at the conceptual level (Podsiadlowski., et al, 2013, P. 161).

Furunes and Mykletun (2007) define the concept diversity management as understanding that there are differences among employees and that these differences, if properly managed, are an asset to work being done more efficiently and effectively. Examples of diversity factors are race, culture, ethnicity, gender, age, a disability, and work experience (P. 975).

Jones (2007) argue that to manage diversity successfully, organizations must recognize that race and gender are only two of many of the ways in which human beings can be different from each other. Managers and leaders must expand their understanding of diversity to include a variety of other dimensions such as those described above: personality traits, internal and external qualities, and formal and informal organizational roles. Workplace diversity management is a comprehensive managerial process for developing an environment that works for all employees. There is political value in this inclusiveness since it does not overtly threaten existing management structures, which are still predominantly populated by white males. This general definition also enables all staff to feel included rather than excluded, permitting them "to connect and fortify relationships that enable employees to deal with more potentially volatile issues that may later arise". Successful diversity is built from the often small, everyday actions taken by people at all levels of an organization... Changing how people act must be reinforced by changing the organizational policies and procedures that define how people operate (P. 9).

Ostendorp and Steyaert (2009) see that the ideas of diversity are sweeping through the organizational landscape; organizations draw upon the various circulating ideas, practices, discourses and paradigms to produce "their" version of diversity. The academic work on global ideas explores how ideas can spread quickly and travel around the globe, while local realities may

still develop very differently. It shows how processes of translation are initiated as other social actors adopt ideas in ways that modify both the adopted and the adopters (P. 375).

At first glance, diversity management seems to present itself as a variegated practice which results from both homogenizing tendencies and contextual variations. As diversity has become a managerial buzzword and showcase, they it has sometimes been perceived as a homogenous concept that can easily be adopted independent of any specific context. Analysts using an institutional theory perspective argue that, as a field, diversity management tends towards imitation: companies copy examples and borrow ideas and increasingly resemble each other.

Diversity management, like other management concepts, is reinterpreted as it is taken up and practiced in different contexts. To understand this translation process, several authors have inquired whether the national context is important in understanding how diversity management is disseminated. Diversity management is interpreted in a specific societal and organizational context (Ostendorp & Steyaert, 2009, P. 375).

2.2. Top management teams (TMT) diversity:

TMT functional diversity reflects the range of specialists (as opposed to generalists) in a TMT. Bunderson and Sutcliffe (2002) developed the idea of dominant function diversity to describe the different functional areas in which team members have spent the greater part of their professional careers. A functionally diverse TMT would comprise a group of senior executives who have a narrow background in terms of their individual skills and knowledge. Put differently, a functionally diverse TMT indicates that members possess depth in their respective areas but not breadth across a range of other areas (P. 877).

TMT functional diversity might also produce unwanted costs. Communication and collaboration might be more difficult than if the TMT was homogeneous, resulting in difficulties in information sharing. Consequently, the true nature of the benefits of TMT functional diversity might only surface under certain conditions that highlight the benefits and mitigate the costs. On the other hand, TMT experience and educational diversity indicate the range of tenure in a given organization and the mix of length of education possessed by TMT constituents (Bunderson & Sutcliffe, 2002, P. 879).

Bunderson and Sutcliffe (2002) has shown that longer tenure with an organization offers opportunities for individuals to be exposed to areas outside of their field of expertise and knowledge. As a result, the greater levels of exposure will enable more interaction with coworkers in other functional areas. Therefore, greater tolerance and accommodation of different perspectives should occur. Lengthier tenure, however, also has its drawbacks (P. 880).

The group performance deteriorates beyond a certain length of organizational tenure. It has also been shown that longer organizational tenure leads to less strategic change, and more strategic and performance conformity to industry average (Finkelstein & Hambrick, 1990). These findings were explained by asserting that longer tenure brings about the desire to maintain the status quo and to adopt risk-averse attitudes in the TMT. Given their current high-ranking position in the organization, pursuing a course of innovativeness that significantly departs with the current practice of business might not be a high priority for TMTs. In addition longer organizational tenure was associated with relatively less receptivity to both change and risk-taking, which, in turn, contributed

to less strategic change. So, in order to gain the most benefit from TMT tenure, a diverse mix of tenure that is not particularly skewed toward either short or lengthy tenure is optimal. Moreover, as was argued for TMT functional diversity, certain contextual factors might strengthen the benefits and weaken the costs associated with TMT experience diversity (P. 497).

The TMT diversity represents a valuable human resource for an organization. TMT diversity is regarded as a resource because with an optimal level of diversity, it can provide value, it is rare to achieve this optimal level, and it is difficult to replace. Furthermore, because it is the appropriate mix and not the absolute level of capacities that matters, TMT diversity is difficult to imitate. Finally, because it is the overall complexity of the team, not the individuals within it, which yields benefits, substitution will come at great costs. We further contend that TMT diversity is a discrete knowledge-based resource as opposed to a systemic knowledge-based resource (Auh & Menguc, 2005, P. 251).

The most prominent benefit of a diverse task force is related to information diversity. This view holds that diversity generates creativity and innovation by tapping into the diverse managerial cognition or mental models of TMT constituents. As diversity increases, we should expect the cognitive and mental maps of the TMT to broaden and deepen, which should facilitate more creative and innovative solutions. Support for this was found using data from the banking industry, where TMT functional diversity led to a greater level of administrative innovation (Auh & Menguc, 2005, P. 252).

2.3. Diversity management effects :

According to Magoshi and Chang (2009) the employees tend to be more committed to their company when the company utilizes HR practices founded on the commitment philosophy; moreover, recently it has been demonstrated that the positive effect of commitment practices on employees' organizational commitment is mediated by their perceptions of procedural justice (P. 34).

The effects of diversity strategies on employees' attitudes can be effectively discussed from a commitment management perspective. It is a long-standing belief that the relationship between an organization and its employees lies in exchanges between the two parties. The researcher argue that employees will continue their contributions if the inducements offered by the company are at least as great as their own contributions. The commitment management approach foregrounds the reciprocity between the company and the employees. They added that the value of reciprocity by asserting that employees are likely to view a firm adopting the commitment approach as an 'employer of choice,' which in turn leads employees to become more committed to the company. That is, an organization expresses its commitment to the workforce through employment security, and employees will reciprocate with their commitment to the organization. Regarding the composition of the commitment management approach, scholars have agreed that it encompasses practices such as extensive recruiting, performance-contingent compensation, objective performance appraisal, and information sharing (P. 34).

Diversity management is regarded as a reflection of commitment philosophy because it fundamentally implies a company's commitment to the diverse composition of the workforce as well as their diverse needs. For instance, family friendly policies as a major part of diversity

management have been utilized more in companies with the commitment philosophy. Therefore, diversity management strategies will trigger similar effects on employee attitudes as other commitment HR practices do (Magoshi & Chang, 2009, P. 34).

Diversity management as a part of the commitment philosophy will enhance employee commitment to a company. The commitment philosophy induces employees' organizational commitment, an outcome that can be effectively explained by the literature on psychological contracts. A psychological contract indicates an employee's beliefs regarding the terms and conditions of an exchange agreement, which includes pay based on performance, training, promotion, and long-term job security. Failure to satisfy or breach of the psychological contract is associated with various negative outcomes, such as reduced commitment to the company, but it seems reasonable to assume that a company's diversity practices contribute significantly to satisfying employees' expectations that the company is committed to understanding and utilizing the unique characteristics of each individual. This satisfaction will positively impact the employees' commitment to the company, as supported by other commitment HR practices, such as the effects of family friendly policies have underscored that utilization of such practices leads employees to perceive that the company is concerned with the needs of employees, causing employees to become more committed to the company (Magoshi & Chang, 2009, P. 35).

The positive effects on organizational commitment will be mediated by employees' perception of procedural justice. When devoted to diversity management, a company will be able to give the impression that the company establishes systems which fairly evaluate, promote, and compensates its employees based upon performance and ability rather than criteria such as gender, nationality, or age. Therefore, employees' perception of the justice of the system can be a major effect boosted by the diversity strategies. Traditionally, organizational justice has been recognized as being composed of two aspects, distributive and procedural justice. Distributive justice refers to the perceived fairness of the amounts of compensation that employees receive, while procedural justice refers to the perceived fairness of the means used to determine those amounts (Magoshi & Chang, 2009, P. 35).

3. The Consequences of Workforce Diversity:

3.1. Workforce diversity and performance:

Research drawing on information/decision making suggests that a diverse workforce leads to improved decision-making processes by increasing creativity and innovation. More precisely, this theoretical approach proposes that heterogeneous groups are more likely to possess a broader range of task relevant knowledge, skills, abilities and viewpoints that are distinct and non-redundant compared to those of individuals in homogeneous groups. By integrating diverse knowledge bases and differences in experience and opinion, this theoretical approach suggests that group heterogeneity may, in turn, lead to more creativity and innovation at work. A concrete application in organizations supportive of this theoretical argument would be the implementation of multidisciplinary teams, that is, cross-functional teams which combine representatives of different organizational functions to ensure diversity in knowledge and perspective (De Dreu & West, 2008, P. 198).

However, several studies examining the impact of diversity at an individual level have shown that when compared to similar individuals, people who are different (dissimilar individuals) have less attraction and trust in peers, less frequent communication, lower group commitment, lower task contributions, lower perceptions of organizational fairness and inclusiveness. At a group level, similar results have been found. Compared to homogeneous groups, heterogeneous groups are found to have reduced cohesiveness, more conflicts and misunderstandings which, in turn, lowers members' satisfaction, decreases cooperation, and increases turnover (Van Dick, 2001, P. 270).

Bacharach., et al (2005) drawing on social identity theory and self-categorization theory has contributed to an explanation of why diversity may have those negative consequences for employees and the performance of their groups and organizations. These theories suggest that people who are different are less likely to collaborate with one another than people who are similar because they do not consider themselves to belong to the same social category (in-group) and thus do not share the same social identity. Similarities and differences are used as a basis for categorizing self and others into groups, with ensuring categorizations distinguishing between one's own in group from one or more out-groups. This process has been named social categorization. In addition a social categorization has been the principal psychological mechanism identified to explain why diversity negatively impacts group performance. Social categorization is associated with perceptual and attitudinal biases that favor the in-group and derogate the out-group. Thus, social categorization may disrupt elaboration of task-relevant information because of possible positive biases toward in-group members and negative biases toward out-group members. However, as pointed out by, it is not the categorization process per se that leads to negative reactions and disrupts group functioning. Rather, it is the intergroup biases that are inherent to group characteristics and that may flow from social categorization (P. 623).

It is important to note that from a short term perspective, indicators of surface-level diversity are more likely to trigger the social-categorization processes than indicators that are considered as deep-level diversity, such as personality and values. By triggering the social-categorization process, these attributes obviously have a stronger impact on explaining the reduction of group performance. However, research also suggests that although individuals initially assess surface-level diversity to categorize others as similar or dissimilar, extended and more intense interactions result in re categorization based on deep-level similarities and differences. Therefore, as mentioned in the previous section, the context is of most importance. Over time, these deep-level differences have stronger impact on the social-categorization process compared to surface-level indicators of diversity. Therefore, the question of a direct relationship between diversity and performance cannot be easily answered. Rather it seems more relevant to specify processes that are responsible for translating diversity into action and to isolate conditions when the outcome of these processes are more positive or negative for the organization (Roberge and Dick, 2010, P. 298).

3.2. Workforce diversity and innovation:

Firms with a diverse knowledge base that covers a wide range of technologies have better organizational problem solving routines and broader search activities. Technologically diverse firms are also found to be more innovative and survive longer. Technological diversity creates cross-fertilization and spillovers between related knowledge bases which positively affects the firm's

innovative competences. When firms broaden their technological base by adding new technologies, they also widen their search for complementarities and novel combinations (Garcia-Vega, 2006, P. 238). Diversity in a firm's knowledge base also increases the firm's ability to exploit knowledge from external sources. The firm's absorptive capacity depends on the diversity in knowledge in the firm. Knowledge diversity improves the basis for learning and enables firms to make new combinations. Firms with diversity in the skills, knowledge and experiences among their employees also increase the possibilities for new combinations of internal knowledge through interaction and learning. Different points of views, educational backgrounds and experiences facilitate the exploratory competence of a firm through better problem solving and generation of new ideas (Harrison & Klein, 2007, P. 222).

The firm's knowledge base, in the form of human capital, becomes even more important in explaining its performance. This human capital is affected by diversity in the composition of employees and their interaction. Thus, employee diversity is a key variable for understanding the knowledge base of the firm. Employee diversity is often measured by individuals' demographic attributes that are used as a proxy for different attitudes, knowledge bases and cognitive models. Individual employees' knowledge structures are also affected by group membership, social interactions, and organization of the firm (Wenger, 2000, P. 231).

Innovation often depends on groups of individuals in the organization. It is in the context of a complex social system in an organization, where the different types of individual knowledge come into play to generate new knowledge or ideas. Therefore, the composition of individuals within the firm is an important factor for understanding innovation, since diversity in the composition of a firm's employees contributes to diversity in the knowledge base. As a result, it is not sufficient to analyze diversity in top management teams (TMT) but consider the composition of the entire firm. Innovation is an interactive process, where employees interact in groups and develop, discuss, modify, and realize new ideas. Thus, diversity in groups is likely to promote innovation behavior. So the innovative learning requires diversity in the experiences and competences of a group. The interplay between diverse competences and experiences generates learning. However, if they are too disconnected then only a little learning occurs (Pitcher & Smith, 2001, P. 9).

Theories on decision making in groups suggest that the quality and consensus of group decisions improve in more diverse groups, but it takes longer time to reach an agreement. To make good decisions when facing uncertain and complex problems it often requires some degree of cognitive conflict and expression of different viewpoints to avoid premature consensus. However, diversity is negative if it creates a socio-emotional conflict between individual employees since this type of conflict is not related to a fact-based problem solving process and draws important resources away from the task at hand (Suzuki & Kodama, 2004, 541).

The diversity has an effect on performance, although some researchers have found negative effects and others positive effects of diversity. The positive effects relate to openness, creativity, learning, flexibility, broader search space, better problem solving, and new combinations of knowledge. Diversity can also increase the firm's absorptive capacity. The costs of diversity are related to lack of economies of scale in the knowledge production, distrust, conflict, and dissatisfaction. Diversity also leads to increased transaction costs, since interaction and

communication between different knowledge bases and groups might be difficult. Social identity theory predicts that diversity in groups often results in competitive behavior and conflict. Therefore, diverse work groups experience less cooperation and internal communication than homogeneous work groups. The diversity improves the work group's external relationships. This allow them to acquire knowledge through cooperation with employees from other work groups, while the homogeneous work groups will focus on internal cooperation. So the interaction between diverse knowledge bases in a firm is necessary to experience an effect of diversity. Innovation is an interactive process and diversity among those who interact promotes the innovation process, since diversity affects the way knowledge is generated and applied in the innovation process. Therefore, employee diversity should generally have a positive effect on innovation, but high levels of diversity might create conflict, information overload and slow down the innovation process (Østergaard., et al, 2011, P. 502).

3.3. Workforce diversity and knowledge:

According to Luring (2009) diversity research has typically studied information and decision-making processes, social categorization processes or inequality and power relations in isolation even though these aspects of diversity co-exist in most multicultural organizations. Accordingly, little theoretical or empirical work in cultural diversity research concerns the question of how social categorization and power relations affect information and knowledge-sharing processes. This is a significant omission because, as discussed, it is not the availability of differences in knowledge per se that yields the potentially superior performance of diverse groups. It is the actual use of this knowledge within groups that might provide organizational assets (P. 387).

The knowledge is considered as used and distributed within communities of practices, often articulated through social categories and identities such as nationality, language and gender. Moreover, the creation and maintenance of different social categories may imply inclusion and exclusion processes as well as struggles to dominate main accesses to resources and recognition in the organization. However, while different groups may compete for advantages in multicultural settings, neither the group boundaries nor the sources and forces of power may be entirely clear to the participating parties. In addition, different discourses, which can be understood as institutionalized ways of thinking defining what is acceptable to express, may produce contradicting statements and actions in organizational environments (Luring, 2009, P. 387).

3.3.1. *The practice of managing cultural diversity and knowledge resources:*

In order to acquire knowledge of the many different local markets, individuals with experience and background from a number of different countries were deliberately recruited to the department. Through this strategy, knowledge of cultural or other regional aspects in specific areas could be used to achieve a better understanding of local costumers and their different conceptions of a product. As an example, the informants often mentioned that a new product name could be tested very quickly in a number of different languages without even leaving the department. Thus, as part of the diversity management strategy, the broad knowledge base could be used closely in relation to the daily tasks of the department in a process of internal knowledge acquisition, using experiences and ideas of many different sources and origins in the common projects (Luring, 2009, P. 388).

3.3.2. Diversity and knowledge sharing:

There was a general opinion that the communication between teams, even at the more professional level, did not work very well. A lot of work was done twice because the coordination of activities was not in place. At conferences, different teams would make the same presentation, or the material would be filed and stored and another team would make it once more from scratch. Sometimes all the departments are using the same agency at the same time and the agency doesn't really have the time to do a good job. The same with congresses; when we do a congress one year after another we should have somewhere to keep the material. Otherwise different departments make the same material (Lauring, 2009, P. 390).

4. Best practices of the diversity:

Best practices are defined as “practices which are most appropriate under the circumstances, esp. as considered acceptable or regulated in business; techniques or methodologies that, through experience and research, have reliably led to desired or optimum results”. Best practices in a field are often derived through systematic and careful reflection on hard-won practical experience. Unfortunately, many writings on diversity best practices rely on brief case studies or anecdotal stories to support the authors' assertions. Only a small body of empirical research assesses particular diversity practices to determine whether they will produce desired or optimum results. Organizations wishing to implement the best diversity management practices for their circumstances and goals need guidance (Kreitz, 2008, P. 150).

There are nine points leading best practices for workplace diversity (Kreitz, 2008, P. 152):

1. Top leadership commitment- a vision of diversity demonstrated and communicated throughout an organization by top-level management.
2. Diversity as part of an organization's strategic plan-a diversity strategy and plan that are developed and aligned with the organization's strategic plan.
3. Diversity linked to performance-the understanding that a more diverse and inclusive work environment can yield greater productivity and help improve individual and organizational performance.
4. Measurement-a set of quantitative and qualitative measures of the impact of various aspects of an overall diversity program.
5. Accountability-the means to ensure that leaders are responsible for diversity by linking their performance assessment and compensation to the progress of diversity initiatives.
6. Succession planning-an ongoing, strategic process for identifying a diverse talent pool and developing them into an organization's potential future leaders.
7. Recruitment-the process of attracting a supply of qualified, diverse applicants for employment.
8. Employee involvement- employee's contributions in driving diversity throughout an organization.
9. Diversity training- organizational efforts to inform and educate management and staff about diversity's benefits to the organization.

The organization must develop a strategic plan to promote diversity through six critical elements (Kreitz, 2008, P. 154):

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1. A compelling analysis of the business case identifying diversity's advantage(s) for the organization.
 2. Recommendations for involving all employees in the diversity effort.
 3. Institutionalization of the diversity initiative through an office or individual responsible for the strategic plan at the executive level.
 4. Clearly defined goals tied to the gaps found through the diversity audit and the business goals.
 5. Diversity metrics to track progress toward those goals.
 6. Accountability metrics that hold managers responsible for meeting diversity goals.

Kreitz (2008) describes in detail many policies, processes, and tactics used to incorporate diversity into an organization. He categorizes these more specific best practices into five areas: recruitment and hiring, promotion and career advancement, alternative dispute resolution, management accountability, and human factors. In each section, he provides numerous examples of successful implementation tactics to support that best practice.

Kreitz (2008) see that the best practices recommend mixing broad diversity implementation actions (such as appointing diversity managers or task forces that focus on systemic organizational changes) with narrower actions (such as employee training or mentoring programs that aim to provoke individual changes).

Kreitz (2008) argue that there are three popular mechanisms for correcting workplace inequality based on organizational change theory:

1. Creating specialized positions to achieve new goals.
2. Using training and feedback to eliminate managerial bias and its off spring, inequality.
3. Developing programs that target the isolation of women and minorities as a way to improve their career prospects.

Conclusion:

This Study assure that the question of a direct relationship between diversity and performance cannot be easily answered. Rather it seems more relevant to specify processes that are responsible for translating diversity into action and to isolate conditions when the outcome of these processes are more positive or negative for the organization.

In other hand, the innovation is an interactive process, where employees interact in groups and develop, discuss, modify, and realize new ideas. Thus, diversity in groups is likely to promote innovation behavior. So the innovative learning requires diversity in the experiences and competences of a group. The interplay between diverse competences and experiences generates learning. However, diversity is negative if it creates a socio-emotional conflict between individual employees since this type of conflict is not related to a fact-based problem solving process and draws important resources away from the task at hand. Therefore, employee diversity should generally have a positive effect on innovation, but high levels of diversity might create conflict, information overload and slow down the innovation process.

In Addition, the individuals with various experience and background have more ability to develop the communities of practices and the context which the knowledge sharing and acquiring occur, but this need coherent team work.

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